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IRA Bombs Kill 8, Injure 53 In Two London Park Blasts



A woman in Hyde Park received emergency treatment after a car bomb packed with nails exploded Tuesday near a procession of the Queen's Household Cavalry, killing two soldiers.

LONDON — Two bombs exploded Tuesday, one at a bandstand in Regent's Park while an army band was playing, and the other in Hyde Park near a passing unit of the Queen's Household Cavalry. Eight British soldiers were killed and 53 persons were wounded, police said.

The outlawed Irish Republican Army said it was responsible for both blasts. The IRA has waged a guerrilla campaign to force the British out of Northern Ireland.

Police said that the Regent's Park explosion killed six bandstanders of the Royal Green Jackets regiment and injured 30 persons. In Hyde Park, two troops were killed and 23 persons injured. Scotland Yard earlier had reported nine soldiers dead.

In the House of Commons, Michael Foot, the leader of the opposition Labour Party, condemned the IRA for the attacks. Prime Minister Margaret Thatcher welcomed his remarks and said, "These callous and cowardly crimes have been committed by evil and brutal men who know nothing of democracy, and we shall not rest until they are brought to justice."

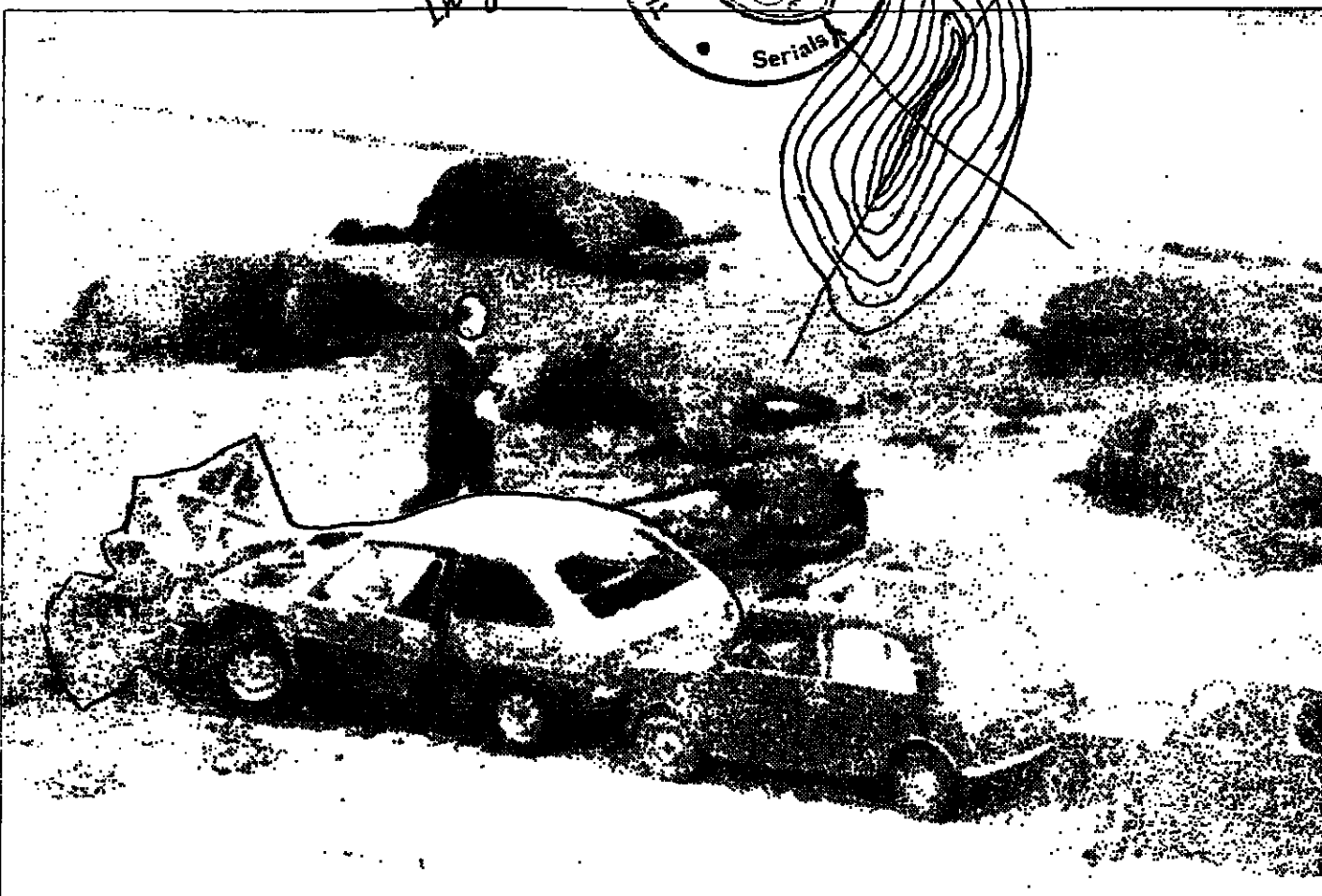
In Dublin, Irish Premier Charles J. Haughey called the bombings "callous and inhuman," and Garret FitzGerald, leader of the opposition Fine Gael party, said, "These murders will cause a sense of shame and revulsion among all Irish people."

The Regent's Park bomb, controlled by a timer, went off under a bandstand where the 30-man Royal Green Jackets band was playing for dozens of spectators.

One witness, Ronald Benjamin, said: "I was just sitting in a deck chair looking at the band when everything seemed to come up from the bottom of the bandstand and blow right in the air — the bodies, the instruments, everything. A leg came within five feet of me. It was blown right off. There were mangled bodies all over the deck chairs."

Frederick Douglas, a workman, said: "I went over to the bandstand and it was an awful sight. There were spectators running away in shock all over the place and I counted 16 soldiers lying on the ground. It was a really terrible sight. I couldn't believe it. One soldier was lying there, groaning, with his hands on his stomach and blood pouring through them."

The Regent's Park blast came nearly two hours after the first bomb went off at 10:45 a.m. local time in a parked car in Hyde Park, about half a mile (800 meters) from Buckingham Palace. Ann



Seven horses of the Queen's Household Cavalry lying near the shattered remains of an automobile in which a nail-packed bomb exploded Tuesday in London. All seven horses died in the IRA attack, only half a mile from Buckingham Palace.

Neill, a palace spokeswoman, said the explosion shook the windows. Cmdr. William Huckleby of Scotland Yard's anti-terrorist branch said the bomb in Hyde Park was packed with 10 pounds (about four kilograms) of explosives and four to six-inch (10- to 15-centimeter) nails. He said there was no warning.

Police said the bomb was set off by remote control as the 15 cavalrymen rode by clad in their ceremonial armor on their way to the changing of the guard at Horse Guards military parade ground.

Seven Horses Killed

"Horses were literally thrown in the air and there were injured lying all over the place," said an eyewitness. "There was blood everywhere. It was terrible." Seven horses were killed.

Dozens of those injured in the two blasts were given prompt treatment in National Health Service hospitals, despite a nationwide pay strike by up to 1 million hospital workers.

It was the first outbreak of IRA terrorism in London since a series of bombings last year following the October collapse of the seven-month IRA hunger strike campaign over prison conditions in Northern Ireland.

The IRA is seeking to unite the Protestant-dominated province with the overwhelmingly Roman Catholic Irish Republic to the

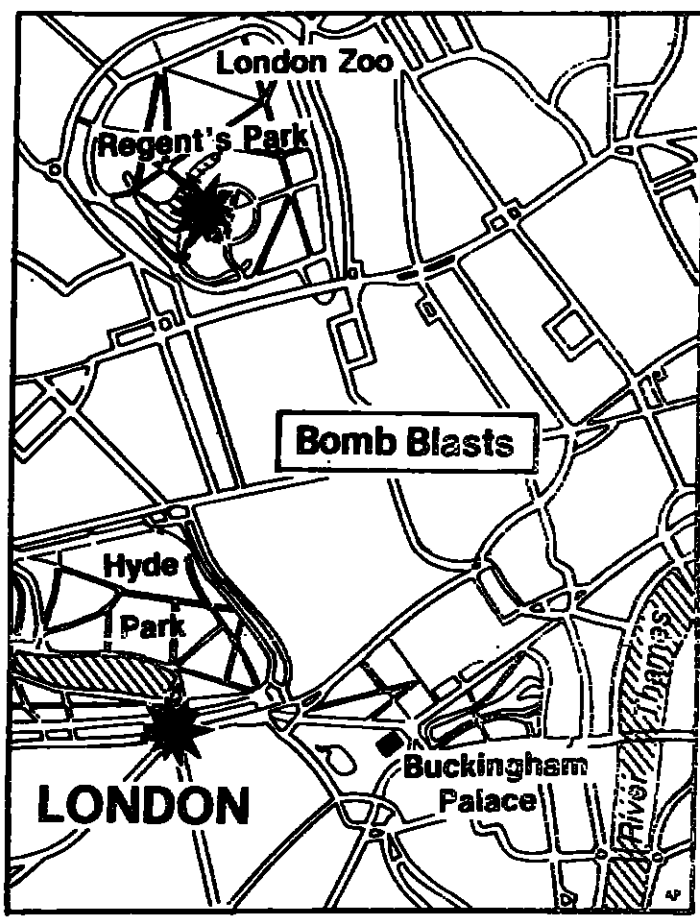
south. The Royal Green Jackets band was on a two-week break from duties in Northern Ireland, officials said.

The IRA issued two statements claiming responsibility for the blasts. The first, teleaxed to news organizations in London from the Belfast office of Sinn Féin, the IRA's political front, was signed P. O'Neill, Irish Republican Publicity Bureau, Dublin, the normal channel for IRA claims of responsibility for attacks.

It said, "The Irish Republican Army claims responsibility for today's bomb attack in London on members of the Household Cavalry. Now it is our turn to properly invoke Article 51 of the UN Statute and properly quote all Thatcher's fine phrases on the right to self-determination of a people. The Irish people have sovereign and national rights which no task or occupational force can put down."

Mrs. Thatcher cited Article 51 of the United Nations Charter as the legal basis for Britain's dispatch of a task force to recapture the Falkland Islands from Argentina.

Scotland Yard sources said they thought the bombings could have been motivated by a Dublin court case July 13 in which IRA member Gerard Tuite, 27, was sentenced to 10 years for possessing explosives and bomb-making equipment.



Reagan Reportedly Decides To Seek Test-Ban Changes

WASHINGTON — President Reagan has decided to ask the Soviet Union to renegotiate some provisions of two treaties limiting nuclear testing to strengthen measures to detect cheating, senior U.S. officials said Tuesday.

The officials said that it was incorrect to state that Mr. Reagan had decided against continuing negotiations for a comprehensive ban on nuclear testing. "The New York Times had reported Tuesday. But the officials agreed that test-ban negotiations would have to be set aside until the United States had renegotiated verification measures that it believed were sufficient to expose possible Soviet deception."

Judith Miller of The New York Times had reported that according to administration and congressional officials, Mr. Reagan had decided Monday not to resume the negotiations, which have been suspended since 1980. The talks with Britain and the Soviet Union have been aimed at ending underground tests of less than 150 kilograms — the only testing now permissible under existing treaties. (By comparison, the atomic bomb dropped

on Hiroshima had an explosive force of 20 kilotons.)

The senior officials said Tuesday that the proposed new negotiations would have priority in presidential policy over current efforts to reach agreement on a comprehensive nuclear test ban. The officials said treaties signed in 1974 and 1976 contained verification measures that were not adequate to detect possible Soviet violations.

The officials, who briefed reporters on the condition they were not identified, said the Reagan administration felt great uncertainty over whether or not the Soviet Union had violated the two treaties. The first treaty, called the Threshold Test Ban Treaty agreed to in 1974 between the United States and the Soviet Union, limited underground nuclear tests to 150 kilotons, the equivalent of 150,000 tons of TNT.

A subsequent treaty, the Peaceful Nuclear Explosions Treaty, was signed in 1976. This accord banned nuclear explosions greater than 150 kilotons for "peaceful purposes," such as mining. Although the U.S. Senate has not approved either treaty, both nations

claim to have abided by the limitations.

Negotiations by the United States, Britain and the Soviet Union on a complete ban have been under way since 1977.

U.S. officials said a dialogue with the Soviet Union on a comprehensive test ban would continue through a group in Geneva that has been discussing verification measures.

The officials also said: Mr. Reagan's decision did not involve a 1963 agreement, signed by Britain, the United States and the Soviet Union and later by 120 other countries that bars nuclear tests above ground, underwater and in outer space.

The Reagan administration's goal remained a comprehensive test-ban treaty but such an accord should be reached in the context of

(Continued on Page 2, Col. 4)

Iran Opens Campaign To Placate Gulf States

By Philip Taubman
New York Times Service

WASHINGTON — With Iranian and Iraqi forces apparently deadlocked after six days of fighting in southern Iraq, Iran has opened a political offensive in the Middle East, apparently intended to allay fears that it poses a threat to other Gulf nations.

Calling Iran's invasion of Iraq a defensive operation, Iranian leaders have declared in official statements and broadcast messages that nearby nations should not feel threatened.

U.S. officials said the statements by Iran's premier, Mr. Hossein Musavi, and the speaker of Iran's parliament, Hashemi Rafsanjani, are apparently intended to dispel fears of Saudi Arabia and other nations that Iran might turn on them if it defeats Iraq.

The statements are also viewed by Reagan administration officials as a response to the announcement last Friday that the United States is prepared to conduct joint military exercises with Saudi Arabia and other Gulf nations that feel threatened by the conflict.

In announcing the offer, a senior U.S. State Department official expressed "deep concern about the air and sea strike capability of Iran against Gulf countries."

Mr. Rafsanjani, in a statement broadcast over Tehran Radio on Sunday, told the Gulf states that Iran "would not claim anything from them" but warned that "they must not be involved in supplying arms to the enemy."

He added that Iran would not attack another country unless it was in defense. He described the invasion of Iraq as a defensive necessity to protect Iranian communities and oil facilities near the border from Iraqi shelling.

Mr. Musavi made similar remarks as he departed for an official visit to Algeria on Saturday. Since Iraq invaded Iran in 1980, Saudi Arabia, Kuwait and other

nearby nations have given more than \$20 billion in economic aid to Iraq, according to U.S. State Department officials.

The aid was prompted by fears that Iranian military victories might topple the Iraqi regime of President Saddam Hussein and lead to the installation of an Islamic fundamentalist government patterned after the one in Iran led by Ayatollah Ruhollah Khomeini. It was feared that that, in turn, could threaten to spread.

In the war itself, fighting was described as intense along a 10-mile (16-kilometer) front northeast of the port of Basra, Iraq's second largest city. It is 14 miles from the border.

Fighting has been concentrated in this area since Iranian forces invaded July 13.

U.S. officials, who said information about the fighting remains sketchy, reported that a large sandstorm blew across the battle zone over the weekend, lowering visibility to nearly zero. They said that both sides appeared to be carrying out supply operations during the storm to prepare for renewed fighting.

Battle Reports

NICOSIA (AP) — Iran and Iraq have both reported that their forces are locked in fierce artillery and tank battles in the contested Basra area.

Tehran Radio said Tuesday that Iranian troops inside Iraq had repulsed two counterattacks, with 200 Iraqis killed or wounded and five tanks destroyed. Iraq's last communiqué, issued Monday night, said its helicopter gunships and artillery had blasted Iranian positions east of Basra, destroying 12 tanks and two armored personnel carriers.

Despite conflicting claims, the Iraqis appear to have succeeded for the moment in halting the Iranians. Iranian troops are digging in three miles inside Iraq, north of Basra.



President Reagan meeting Tuesday with Saudi Foreign Minister Abdul Halim Khaddam, standing next to Secretary of State George P. Shultz.

INSIDE

■ The East German woman sharing the compartment on the jolting train to Dresden said she would vacation in Hungary this summer. She planned to pay her way by selling in Hungary a pair of salamander shoes and a Carl Zeiss camera lens, both made in West Germany. It was a small reflection of the troubled state of Eastern Europe's economies. *Insights, Page 8.*

■ The Singapore government of Prime Minister Lee Kuan Yew has sought to advance its campaign for a national consensus by cracking down on the press. Since January, the government has harshly criticized several editors and persuaded them to stop coverage of the tiny political opposition, which has had one member in Parliament since last October. *Page 5.*

■ The Voice of America and its parent body, the International Communication Agency, were strongly urged to remain free from "sideline propaganda" in an official report made to President Reagan. *Page 3.*

Brezhnev Backs UN Policing of PLO Pullout

Compiled by Our Staff From Dispatches

MOSCOW — President Leonid L. Brezhnev has given his support to proposals for a United Nations force to supervise withdrawal of besieged Palestinian guerrillas from West Beirut.

But Mr. Brezhnev, in a Pravda interview, repeated an earlier warning that he would "categorically oppose" U.S. participation in the force.

Mr. Brezhnev sent a note to President Reagan this month warning him against sending Marines to supervise a withdrawal. Mr. Reagan had stated agreement in principle to U.S. participation if all parties involved in the conflict agreed.

The interview with Mr. Brezhnev was published in advance Tuesday by Tass.

"We are not against the idea of separating forces defending Beirut and Israeli troops as a first step," he said. "To this end one could use UN forces, especially as UN forces are already in Lebanon in accordance with a Security Council resolution."

Mr. Brezhnev said the Israeli action in Lebanon "could not be described as anything other than

genocide." He pledged continued support for Arab countries and called on them to forget their differences in the face of the Israeli attack.

He repeated a call he first made 18 months ago for an international conference on the Middle East, to include the Palestine Liberation Organization, Arab countries, Israel, the United States and the Soviet Union.

In Beirut, Israeli forces and Palestinian guerrillas clashed for two hours at the city's Mediterranean harbor and traded shellfire around the international airport, which has been closed for weeks.

Israeli jets staged mock assaults on the capital. The Palestinian guerrillas responded with anti-aircraft fire as wave after wave of jets swooped in.

But police said that despite the daylong violations, a cease-fire arranged by the United States nine days ago to give diplomacy a chance to ward off a military showdown between Israel and the PLO had survived.

In Tel Aviv, Israel Radio said that Prime Minister Menachem Begin would like Secretary of State George P. Shultz of the United

States to come to the Middle East to work out a solution to the crisis.

But a White House spokesman said that there were no plans to send Mr. Shultz to the area. The radio later quoted Mr. Begin's spokesman, Uri Porat, as denying that the prime minister had expressed such a desire.

Syrian Call

In Damascus, the Syrian information minister, Ahmad Iskander, called on the United States to end what he called its military and political support of the Israeli invasion and initiate a more evenhanded policy in the Middle East.

Mr. Iskander made it clear in an interview that Syria's position on finding a refuge for the Palestinian guerrillas was unchanged. He said members of the PLO leadership were welcome to come to Syria with their families, but he said Palestinian fighters would not be accepted.

In West Beirut, squads of PLO security men searched all day for the kidnapped acting president of the American University in Beirut. But 24 hours after the abduction of David Stuart Dodge 2d, 58, a Beirut-born American citizen,

there was no word on his whereabouts.

Israel Radio said Tuesday that the Druze of the Golan Heights have ended a five-month strike against Israel that protested the annexation of the area. The Druze had refused to accept Israeli identification cards as part of their passive resistance.

Approximately 12,000 Druze live in four villages in the Golan Heights, which Israel took from Syria in the 1967 Middle East war and annexed Dec. 14.

Offices Bombed in Paris

PARIS (AP) — Bombs exploded in two Paris offices linked to Israel early Tuesday, causing damage but no injuries. No group claimed responsibility, but pro-Palestinian tracts were found at the site of one of the explosions.

The first explosion, in an industrial district of northern Paris, was at a building housing the import-export company Ganco, which deals mainly with sales of Israeli electronic equipment. The police said the second explosion was caused by two bombs set against the facade of the Bank Leumi, an Israeli bank, near the Opera.

Syrian, Saudi Officials See Reagan; 'New Ideas' Discussed, U.S. Says

By Don Oberdorfer

Washington Post Service

WASHINGTON — The Syrian and Saudi foreign ministers met with President Reagan here Tuesday, and U.S. officials later said "new ideas" had been discussed that might produce movement toward a negotiated settlement in Lebanon.

The officials refused to identify the ideas or even the subjects to which they pertain. In a White House briefing, reporters were told that the ideas primarily came from the Arab side.

A White House official refused to say whether Syria has shifted its position against accepting members of the Palestine Liberation Organization trapped in West Beirut by Israeli forces.

The Saudi foreign minister, Prince Saud al-Faisal, called the discussion with Mr. Reagan "very fruitful, frank and friendly." But

he, too, said he would not prejudice possible movement in the negotiations by providing any details of the discussion.

As he was leaving the White House after the meeting with the president, Prince Saud said his primary mission and that of the Syrian foreign minister, Abdul Halim Khaddam, had been to present an Arab League request for U.S. assistance in obtaining Israeli withdrawal from Lebanon.

Prince Saud said it was important to obtain a guarantee that Israel will withdraw if the PLO forces do the same.

Both Prince Saud and the White House official said there had been no discussion of any sanctions that might be taken by Saudi Arabia against the United States if Israel launches a full attack on West Beirut.

On Monday, following a meeting with Prince Saud, Sen. Charles H. Percy, chairman of the Senate

Foreign Relations Committee, said such sanctions were a possibility. Sen. Percy speculated that they might include withdrawal of Arab funds from U.S. banks, a reduction in oil production and greater unity among the oil-exporting nations.

U.S. officials have expressed hope that the visit of the Saudi and Syrian foreign ministers can lead to a breakthrough in the stalled Beirut negotiations over a refugee 5,000 to 6,000 members of the PLO forces.

The former Lebanese premier, Saeb Salam, a key mediator in the talks there, had said in Beirut that Tuesday's meetings will be vital not only for the Beirut negotiations but for the future political direction of the Arab world.

And Israeli officials said in Jerusalem that new military action against the trapped Palestinians would become more likely if the Washington talks fail to indicate progress toward a breakthrough in the Beirut negotiations.

On Monday, Prince Saud called on the United States to endorse Palestinian self-determination and begin dealing directly with the PLO to create conditions for a negotiated settlement of the conflict in Lebanon.

A two-hour meeting late Monday of the emissaries and Secretary of State George P. Shultz ended with no clear sign of movement on any issue.

Prince Saud said he was persuaded of the "good intentions and motivations" of the United States but announced no conclusion about U.S. policy. Mr. Khaddam said he had asked the United States to assume its responsibility as "a country that is extending a huge military, political and economic assistance to Israel to put an end to Israeli aggression."

There was no immediate indication of willingness by the Reagan administration to shift its Palestinian policies in line with the Saudi requests, which Prince Saud said have also been transmitted in recent diplomatic traffic from Riyadh to Washington.

Before Prince Saud disclosed his position to reporters and took it to the meeting with Mr. Shultz, a State Department spokesman had said Monday that the longstanding U.S. position against contacts with the PLO had not changed.

Palestinians Start New Campaign To Win Political Sympathy in U.S.

By Joseph Fitchett

PARIS — Leading Palestinians, in a tacit acknowledgment that the Beirut fighting will drastically reduce their movement's military action, have started a major campaign to win political sympathy in the United States for the Palestinian cause.

Palestinian supporters of this campaign, which is designed to wrest diplomatic compensation for apparently inevitable Palestinian concessions in Lebanon, include both moderate PLO spokesmen and other prominent, non-PLO Palestinian nationalists who reportedly are putting together a \$100-million fund to promote a better understanding of their cause in the United States.

Moderate PLO officials, apparently with the support of Yasser Arafat, the PLO leader, are active in Western Europe, publicly and privately arguing that the Reagan administration should start a dialogue with the PLO.

Issam Sartawi, an Arafat adviser, expressed disappointment Tuesday with what he said was the Reagan administration's apparent lack of interest in PLO signals of its interest in mutual recognition between the PLO and Israel.

This question of recognition, along with Palestinian rejection of United Nations Security Council resolutions on a peaceful settlement in the Middle East, have been the official barriers to U.S. readiness to negotiate with the PLO. Mr. Sartawi, at a Paris press

conference, said the PLO had in effect complied with both preconditions.

Mr. Sartawi, who has been involved in secret contacts with Israelis since 1975, shared the Paris platform and issued a statement with Matty Peled, a retired Israeli general who is a peace activist.

"The PLO has made it crystal clear that it is ready to recognize Israel on the basis of mutual recognition and legitimate self-defense," the statement said. It echoed a similar speech in Paris by Mr. Sartawi.

Mr. Arafat has never been as explicit in public about what he calls "our last card," meaning recognition of Israel, but Mr. Sartawi's comments in Paris have not been criticized by PLO leaders, even by extremists.

Mr. Sartawi's remarks amounted to a public confirmation of what he and other PLO officials have been saying to European diplomats: that only political recognition of the PLO — especially in France and Britain and, above all, in the United States — can prevent the PLO's military defeat in Lebanon from producing a political vacuum and a new wave of extremism in the Arab world.

In another sign of this new political emphasis in Palestinian thinking, a group of prominent Palestinian businessmen and intellectuals met without publicity in London 10 days ago to plan a vastly improved campaign of information and lobbying in the United States on behalf of the Palestinian cause.

Fund-Raising Conference

The meeting, disclosed in Al-Megalla, a London-based magazine owned by Saudi Arabians, and confirmed by several participants, brought together 25 Palestinians representing the middle-class Palestinian establishment.

Several participants said the discussions led to a plan to convene a fund-raising conference in Europe to create a fund, targeted at \$100 million, for the U.S. campaign.

In London, several U.S.-based Palestinian intellectuals, including Walid Khalidi, a professor at Harvard University, and Edward W. Said, a professor at Columbia University, outlined the need to focus Palestinian information efforts in "an essentially hostile environment comprised by the U.S. media," Mr. Said said in a telephone interview.

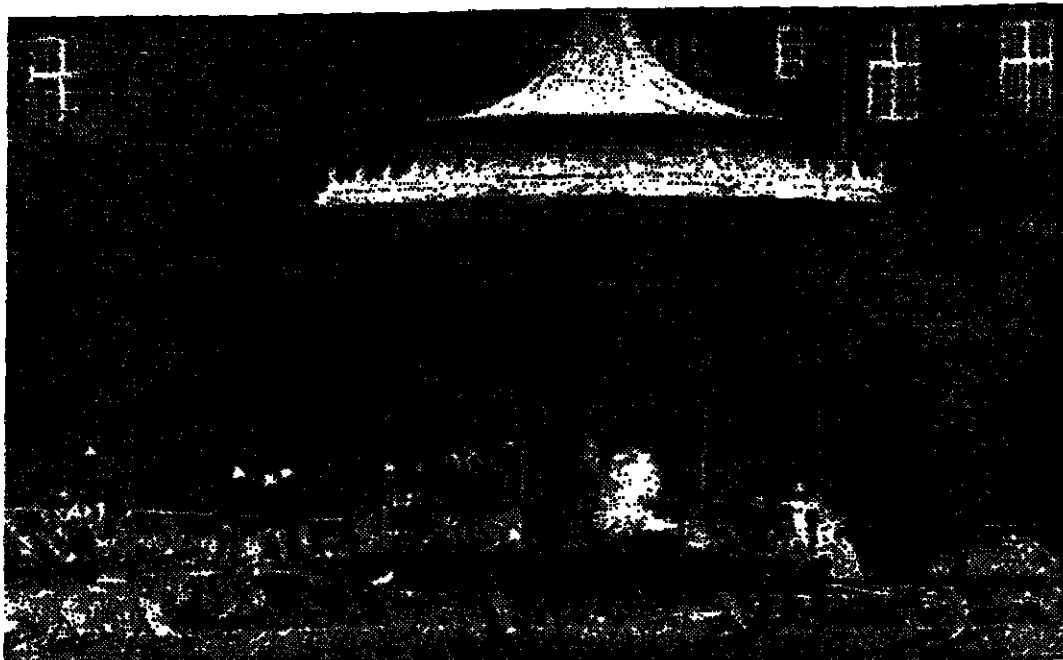
Mr. Said and other participants, who declined to acknowledge speaking to a reporter about the meeting, said the London session did not formally discuss politics or PLO strategy, but Mr. Said acknowledged that developments in Lebanon "lent urgency" to the consultations. No PLO officials were included in the meeting, the first of its kind since 1970, when the Palestinian guerrilla movement was driven out of Jordan.

At the London meeting, Palestinian participants reportedly concluded that it was essential for the PLO to retain some political base in Lebanon because it is the only Arab country where the movement can preserve a semblance of military, political and social unity. Without it, the PLO risks being taken over again by Arab governments, they said.

Focus on the U.S.

At the same time, the meeting concluded that the United States government and the public were the key targets of Palestinian political action. Implicit in this conclusion, several Arab sources said, is that the PLO's military action is bound to be further reduced.

Intensely anxious not to appear to be maneuvering behind Mr. Arafat's back, Palestinians such as Mr. Said who attended the London meeting remain publicly committed to Mr. Arafat and the PLO as the Palestinians' only representative.



London police and firemen surround the still-smoldering bandstand in Regent's Park where six soldiers died Tuesday when a bomb exploded during a concert by the Royal Green Jackets.

Thatcher Evades Spy Questioning; U.S. Concerned About Its Interests

Compiled by Our Staff From Dispatches

LONDON — British Prime Minister Margaret Thatcher Tuesday dodged questions about persistent reports of a major spy case at one of the nation's most secret bases, saying the matter is before the courts and until completion of the trial she can say nothing.

In Washington, U.S. officials said they, too, remain in the dark. One U.S. intelligence official said that "to see how bad a setback this will be to us, we first have to know exactly where the man worked, what clearances he had, what access to information, who else was involved and what their access was."

"There have to be U.S. equities involved, and we have an important right to know," he added.

Mrs. Thatcher, whose Conservative government is already embroiled in the investigation of breaches in the security around Queen Elizabeth II, made a brief statement to Parliament in response to a clamor from the opposition and her supporters alike.

She disclosed nothing that was not known — that a taxi driver who worked at the British government's communications headquarters from 1968 to 1977 was charged on July 15 under the Official Secrets Act. His trial is scheduled Nov. 26.

Located at Cheltenham 100 miles (160 kilometers) west of London, the communications complex is Britain's electronic espionage center where 8,000 scientists, mathematicians and computer experts handle sensitive government messages and try to monitor and decipher foreign signals.

It is closely connected with its supersecret American counterpart, the National Security Agency. The accused man was alleged to have committed a series of unspecified acts of espionage over the past 14 years.

Geoffrey A. Prime was arraigned last Thursday on an espionage charge described by the British prosecutor as "of the gravest possible nature."

The British prime minister, who is responsible for intelligence matters, deflected all questions, acknowledged that the charge is serious and said any security issues arising from the case would be referred to the Security Commission, the government's intelligence watchdog.

She would not say whether anyone else is likely to be charged. "Absolute certainty is never possible in these matters," she answered.

"We simply don't know what's going on," one high-level U.S. intelligence officer said. "The British are being tight-lipped about it all, perhaps not to jeopardize prosecution."

Reagan administration officials said that all they have heard from the British so far is that Mr. Prime was arrested and he apparently worked in the Cheltenham complex.

U.S. officials said that as far as they know, Mr. Prime was employed by the British communications agency until 1975. Since charges against him cite conduct from Jan. 1, 1968, to Dec. 31, 1981, U.S. officials concluded that other British intelligence workers are probably involved.

West Germans Arrest East Berliner as a Spy

KARLSRUHE, West Germany — West German police said Tuesday that they had arrested a 36-year-old East Berliner on suspicion of spying for East German intelligence.

They said that the suspect, Ulrich Kormann, was arrested in Hamburg Sunday carrying a false passport and a large sum of money. A spokesman for the federal prosecutor's office in Karlsruhe said that Mr. Kormann was suspected of being in West Germany to gather information for East German intelligence.

Reagan Tells Congress MX Is Needed

WASHINGTON — President Reagan sent a lengthy letter to the House of Representatives supporting the MX missile program as debate opened Monday on next year's \$177.1-billion military budget.

In the face of a bipartisan drive to delay or kill outright the controversial MX, Mr. Reagan argued that it is essential to national security and provides "powerful leverage" in negotiating an arms reduction treaty with the Soviet Union.

Although the House is not expected to take any final action until Wednesday or Thursday, members are preparing four separate amendments to cut MX funding. They range from a proposal by Rep. Ronald V. Dellums, Democrat of California, to delete all MX funds, to one by Reps. S. William Green, Republican of New York, and Paul Simon, Democrat of Illinois, to cut \$715 million for interim bases.

Unemployment Worsens in Britain

LONDON — Unemployment in Britain has worsened this month to a record 13.4 percent of the nation's work force.

The Department of Employment announced Tuesday that 3,190,621 Britons were out of work in the middle of this month. That is 129,381 more than a month ago, when 12.8 percent were unemployed.

Opposition politicians described the figures as a disaster and said the government's economic policies had failed. Leaders of businessmen's organizations predicted that unemployment would hit 3.25 million before the end of the year.

Pipeline Sanctions Called a Failure

WASHINGTON — President Reagan's effort to block the Soviet gas pipeline to Western Europe may only fail, but also will push the Russians into developing technology in this field, West Germany's economics minister, Otto Lambsdorff, said Tuesday.

After the Versailles economic summit last month, Mr. Reagan announced that he would extend the U.S. embargo on technology to build the pipeline to foreign subsidiaries of U.S. companies and to foreign companies operating under U.S. license.

Mr. Lambsdorff told reporters, in the midst of a round of talks with administration and congressional policy-makers, that "the only thing I'm sure of is what everybody in Europe is sure of, and that is that the pipeline will be built" with a delay of six months to a year.

Arms Negotiators End Round of Talks

GENEVA — Soviet and U.S. negotiators on Tuesday recessed talks on reducing intermediate-range nuclear forces until Sept. 30. It is the third extended break since negotiations began Nov. 30.

Full delegations from both sides have met 40 times, alternately in office of the U.S. Arms Control and Disarmament Agency and the Soviet diplomatic mission. They are scheduled to return to Geneva late in September.

Talks on reducing strategic arms were convened in Geneva on June 29 and are expected to continue for much of the summer before recessing for consultations.

EEC Plan on Wine Surplus Is Blocked

BRUSSELS — European Economic Community farm ministers on Tuesday approved a new set of measures aimed at preventing the outbreak of wine wars between France and Italy, but West Germany blocked final implementation of the plan.

Diplomats said nine of the 10 ministers approved a new community system designed to ensure that surplus wine is taken off the market and turned into industrial alcohol.

The diplomats said West Germany withheld approval of the plan because the cost exceeded earlier estimates by about \$30 million. Several ministers indicated they expected Bonn to drop its opposition in the next two weeks, but West German officials said there were still strong objections to the additional cost.

Pope Meets Polish Foreign Minister

VATICAN CITY — Pope John Paul II met Tuesday with Polish Foreign Minister Jozef Czerwinski to discuss the pontiff's possible visit to his homeland, Vatican sources reported.

Mr. Czerwinski, who arrived on a surprise trip Monday, spent an hour at the pope's vacation palace in Castel Gandolfo near Rome.

The pope has expressed a desire to return in August for celebrations marking the 600th anniversary of the arrival of the Black Madonna icon at Czestochowa. It has become a symbol of Polish religion and nationalism.

Ruling Greek Party Ousts Ex-Aide

ATHENS — Greece's ruling Panhellenic Socialist Movement Tuesday announced the expulsion of George Petros, a former deputy defense minister, from the party.

Mr. Petros, 34, who was dropped from his post three weeks ago, told a political rally over the weekend that the Socialists are suffering from internal dissension. He continues to sit in parliament as an independent.

Newspapers close to the government said Mr. Petros, considered a moderate Socialist, is suspected of developing centrist and pro-American leanings.

China Called Key to Cambodian Peace

SINGAPORE — Vietnamese Foreign Minister Nguyen Co Thach said Tuesday that China held the key to a settlement of the conflict in Cambodia.

Mr. Thach also warned Vietnam's non-Communist neighbors in Southeast Asia that it would not tolerate any action that it considered damaging to its security. He said the five-member Association of Southeast Asian Nations should not demand a Vietnamese troop withdrawal from Cambodia without showing any concern for what he described as the Chinese threat.

"If China signed a treaty of nonaggression and noninterference in the internal affairs of the Indochinese countries, we will withdraw our troops from Kampuchea [Cambodia] the very next day," Mr. Thach said.

Compiled From Agency Dispatches

6 Agencies Deny They Paid for Ad Criticizing Israel

Washington Post Service

WASHINGTON — A full-page advertisement that used the names of six humanitarian agencies to denounce the Israeli invasion of Lebanon was placed in The Washington Post and other major newspapers last week without the knowledge of the groups involved, according to spokesmen for the organizations.

The ad was placed "outside the jurisdiction" of the Bernard Hodess agency in Los Angeles, whose employee forwarded payment for the ad, Mr. Hodess said.

In a letter to the editor, the organizations said they were dismayed at being listed and "respectfully decline any association" with the ad, signed by "Concerned Americans for Peace" listed at a Los Angeles post office box number. The ad also was published in The New York Times, the Atlanta Journal-Constitution and the Chicago Tribune.

The letter was signed by executives of CARE, the U.S. Committee for UNICEF, the Church World Service of the National Council of Churches, the American Red Cross, the American Friends Service Committee and the Save the Children federation.

There has been no indication of any help from other Arab countries.

To solve the housing problem — estimates of the homeless, mostly Palestinians, run from 20,000 to 60,000 — Mr. Harman said there was a possibility that the Joint Distribution Committee and Catholic Relief Services would help funnel money for repairs, providing the U.S. Agency for International Development obtained adequate funds. The Reagan administration plans \$65 million in aid, of which \$15 million already has been appropriated and another \$50 million has been authorized by Congress.

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When your problem is more than just a question of money, come to Deutsche Bank, where precision and attention to detail are qualities that guarantee perfection in all money matters.

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Report Urges Reagan To Keep VOA Unbiased, Devoid of Propaganda

By Bernard Weisraub
New York Times Service

WASHINGTON — An official report to President Reagan has urged that the Voice of America, the U.S. government's international radio station, be kept free from "strident propaganda" and recommended that the VOA "take particular care" to broadcast news abroad with objectivity.

The report, which was made available to some of the administration's top officials, said that the VOA's "credibility is its most precious asset" and that the agency must ensure that public perceptions of the Voice of America are not "eroded by the high standing it now has."

The report was issued as Mr. Reagan, speaking at a Rose Garden ceremony at which he signed a Captive Nations Week proclamation, said that numerous countries had fallen prey to Soviet ideology and that the overseas radio stations, beaming broadcasts to the Soviet Union and Eastern Europe, would be modernized.

Senate Delays Vote On U.S. Sea Envoy

Los Angeles Times Service

WASHINGTON — Sen. Charles H. Percy, Republican of Illinois, the Senate Foreign Relations Committee chairman, has told the Reagan administration that the nomination of James L. Malone as ambassador-at-large for the Law of the Sea Conference is in trouble and should be withdrawn, sources said Monday.

The committee postponed its vote on the nomination, which was scheduled for Tuesday, at the Reagan administration's request, according to a committee spokesman, Alan Safran. Mr. Malone is assistant secretary of state for oceanic affairs and has been serving as chief U.S. negotiator for the Law of the Sea talks.

The sources said that Sen. Percy told the administration that he would not vote for Mr. Malone, who has been criticized in an internal State Department draft report for "uncertain leadership" and by committee members in May for lobbying on behalf of a former client. The Illinois Republican also said that Mr. Malone's nomination would not be approved by the committee.

Junta Replaces President Of Bolivia With Army Chief

Compiled by Our Staff From Dispatches
LA PAZ — A Bolivian military junta has taken power peacefully from President Celso Torrelío Villa and has announced that the army chief of staff, Gen. Guido Vildoso Calderón, would become head of state on Wednesday.

Gen. Torrelío announced his resignation Monday night in a speech broadcast live on radio, and his successor was named in a statement issued soon afterwards by the junta, composed of the commanders of the three armed services.

The moves were aimed at resolving a leadership crisis which began last Wednesday when the head of the army's military academy, Col. Faustino Rico Toro, made a bid for power. Gen. Rico accused Gen. Torrelío of failing to improve a worsening economic and political situation during his 10½ months in office and claimed that he himself was Gen. Torrelío's natural successor as president.

Speaking on behalf of the junta Monday night, the head of the air force, Gen. Natalio Morales, promised that elections would be held and Bolivia returned to democracy next year in accordance with a timetable announced by Gen. Torrelío last Friday.

He reiterated that elections would be held on April 24 and the armed forces would hand over power to a civilian government the following Aug. 6. Gen. Morales also promised renewed efforts to solve Bolivia's chronic economic problems by bringing its rampant inflation under control, reducing public spending and the budget deficit, revising monetary policy and the tax system, imposing import controls on non-essential goods and renegotiating the country's external debt.

The reduction of state spending and the budget deficit are two key measures demanded by the International Monetary Fund as conditions for a loan to help Bolivia improve its external debt position.

According to business and diplomatic sources in La Paz, international banks and financial institutions are refusing to extend Bolivia further credit until it signs an agreement with the IMF.

In his broadcast speech, Gen. Torrelío said that Bolivia had been on the verge of rebellion, chaos and anarchy when he was named president by the armed forces last year.

He blamed Bolivia's economic crisis mainly on three factors: the world recession, which has reduced the country's export earnings from raw materials; high international interest rates, which have increased service payments on its debt; and curtailment of aid by Western countries following a military coup in 1980 which prevented a newly



Gen. Guido Vildoso Calderón

elected civilian government headed by Lidia Gueiler from taking office.

The announcement that Gen. Torrelío was stepping down marked the 16th change of government in the nation in 16 years, and the ninth in the last four years. No elected presidential candidate has taken office since 1964.

Gen. Torrelío was army commander and part of a military junta which in August ousted Gen. Luis García Meza, whose regime was associated with human rights abuses and cocaine trafficking.

Venezuela Is Urging Sandinistas To Honor Pledges on Democracy

By Christopher Dickey
Washington Post Service

MASAYA, Nicaragua — Venezuela, one of Nicaragua's strongest democratic allies in Latin America, has cautioned the Sandinistas that they must "confront their conscience" about whether to honor promises to establish a pluralistic democracy.

The Nicaraguan leaders, who on Monday celebrated their third anniversary in power, replied that their main confrontation was with a U.S. government attempting to undermine their government economically, politically and by supporting military action against them.

President Luis Herrera Campins of Venezuela and Daniel Ortega, a member of the Nicaraguan junta, had nothing good to say about the Reagan administration.

A celebration was held in this dusty, rural town about 15 miles (24 kilometers) west of Managua where some of the heaviest fighting took place during the war to overthrow the dictator Anastasio Somoza.

The desultory celebration seemed to underscore the changes of the past three years. The revolution, once marked by a contagious enthusiasm that united this country's people and inspired sympathy throughout the world, has begun to appear drab and embattled, its ranks divided.

In Monday's speeches, however, the Reagan administration was blamed for the country's troubles.

The Venezuelan president said the Falklands war had caused Latin Americans to reflect on and to review their relations with the United States.

Mr. Herrera Campins, whose government often has backed Washington on regional questions such as the civil war in El Salvador, attacked the Reagan administration for first presenting itself as a mediator, then backing "colonialist" Britain against Argentina.

Mr. Ortega's speech was an even sharper indictment of the United States. Halfway through it, Ambassador Anthony C.E. Quainton of the United States left the grandstand.

Mr. Ortega estimated that more than 2,000 anti-Sandinista rebels were operating along the border and inside the country. He said that since July 4 they had staged at least 18 attacks and killed more than 50 soldiers.

Mr. Herrera Campins, whose predecessor as president gave the Sandinistas political backing and arms during the insurrection, repeatedly referred to the pledges made then by revolutionary leaders that a pluralistic democracy with free elections would be established.

On the first anniversary of their triumph, the Sandinistas dismissed the idea of conventional elections and announced a schedule to prepare for a nationwide vote by 1985.

In Guatemala, Sermons Aid Army

Ministers Help Promote Campaign Against Communists

By John Dinges
Washington Post Service

CUNEN, Guatemala — The Sunday morning rally of about 500 residents of this village began as soon as the engines of the two Guatemalan Army helicopters were turned off.

Francisco Bache, a preacher in the fundamentalist Assembly of God Church, combined a message of God and country in a rousing sermon that ended with villagers ecstatically speaking in tongues.

"He who resists authority is resisting that which has been established by God," Mr. Bache said. "He who lacks God in his heart is the one who is unable to love the authorities."

Signs held by villagers said, "The civil patrols need good weapons for their defense."

Mr. Bache was followed to the microphone by the army lieutenant in charge of the nearby Chululubá, where 60 soldiers are entrenched as an advance force in an area where less than a year ago guerrillas reportedly roamed freely.

Patrols by Civilians

An army captain proclaimed the union of the army, religion and the "authorities of the state."

The rally, which was visited unannounced by three foreign reporters, was organized by the army to push the government's latest strategy to win its long war against leftist insurgents. Last month, the government announced that the army would create hundreds of local civil defense patrols to guard villages.

The program, called "guns and beans," also included putting Indians to work on highway projects in exchange for food parcels and a small wage, army officials said.

The program is a key element in plans by Guatemala's new president, José Efraín Ríos Montt, to stamp out the insurgency that in recent years has gained momentum and virtually eliminated the once-booming tourist trade in Quiché province. In an interview, Mr. Ríos Montt said he expected to defeat the guerrillas by December.

The plan appears to include the kind of aggressive counterinsurgency tactics and social action programs recommended by the United States for other countries, such as El Salvador, in fighting leftist guerrillas.

More Violence

Moderate political leaders and Catholic clergymen say they fear the civil defense program will increase the level of violence by forcing villagers to take sides in the civil war. Foreign diplomats and human rights groups say thousands of persons have been killed in political violence in the past two years.

Two Catholic religious workers suggested that the promotion of the civil defense program through Protestant preachers could cause religious competition and tear apart the fabric of traditional strong community life in the mainly Indian villages in the northwestern region of Guatemala.

Guatemala is predominantly Roman Catholic, but Protestant fundamentalist groups, many with home bases in the United States, have attracted a growing number of adherents.

While the Roman Catholic missionaries often have focused on raising the social consciousness of the poor and establishing farm cooperatives, the fundamentalists' message has tended to support authoritarian governments and to be more strongly anti-Communist.

Brief Occupation

Critics of the civil defense plan who live in the northern villages of Quiché and Huehuetenango provinces said recruitment to the civil defense units was often by coercion, and they said that the army was continuing to kill civilians in sweeps through villages identified as hostile.

The army arrived in force in this area about eight months ago, when a large base was set up outside the provincial capital of Santa Cruz del Quiché. Just a year ago, according to residents of this town, the so-called Guerrilla Army of the Poor briefly occupied Cunén for the first time and returned several times after that.

"Before, we gave the guerrillas freedom of action here," said Mario López, an army captain. "Now we are the ones with freedom of action."

After a June lull during which the government offered the guerrillas amnesty if they would lay down their arms, fighting between the approximately 5,000 guerrillas and the Guatemalan Army has heated up.

A Western diplomat said the army had claimed to have killed 180 guerrillas in fighting in the first week of July.

Optimistic Outlook

Capt. López said the new army strategy was to set up the civil defense patrols as an advance guard against the guerrillas. The army, he said, moves out in force to attack when reports are received from local patrols of guerrillas in their area.

Capt. López said support for the program was tremendous. The guerrillas, he said, had begun out of desperation to burn villages and kill women and children in an attempt to discredit the army.

Three clergymen working in Quiché and Huehuetenango provinces gave a sharply different picture of how the civil defense program was implemented.

In Quiché province, a teacher said students returning to a boarding school from home visits said they had been forced to patrol their town armed only with whistles and sticks, with soldiers stationed in front and behind them.

"They don't trust these people at all," said a foreigner living in Huehuetenango. "They don't trust a real Indian village with weapons."

U.S. Says Computer Sale to Argentina Is Not a Reversal of Its Nuclear Policy

United Press International

WASHINGTON — Government approval for exporting a computerized control system to Argentina is not a reversal of Carter administration nuclear policy, nor is the technology involved sensitive, the State Department contends.

According to The Washington Post, Energy Secretary James B. Edwards secretly approved the sale last year. The Post said the system serves as the computer brain of a large heavy-water nuclear reactor and is critical in the development of nuclear weapons.

However, a State Department spokesman, Dean Fisher, said Monday that the export had been approved because the equipment "is not especially designed or prepared for use in a heavy-water plant, does not incorporate sensitive technology, and is available from foreign sources."

The Post pointed out that the sale had been approved even though U.S. nuclear cooperation with Buenos Aires has been cut off because of Argentina's refusal to accept safeguards on all its atomic facilities.

But Mr. Fisher said that the deal "did not seriously undercut U.S. efforts to obtain Argentine agreement to safeguard all of its nuclear activities, as the article implied."

The government is prohibited by the 1978 Nuclear Nonproliferation Act from cooperating with any country that has not placed its nuclear activities under international safeguards. But in this case, The Post reported, the administration was able to authorize export of the control system because it was sold to a Swiss firm that holds the overall contract for the Argentine plant.



This Friday the Trib Sends You Packing For the Weekend

The Trib is shifting its feature-packed Weekend section into Friday's newspaper, beginning this week. Weekend will be as lively as ever—opening up with a brand-new, weekly Travel Section on its fact-filled, two-center pages. International Datebook. Where to go. How to get there. Where to dine, drink, disco, do the town.

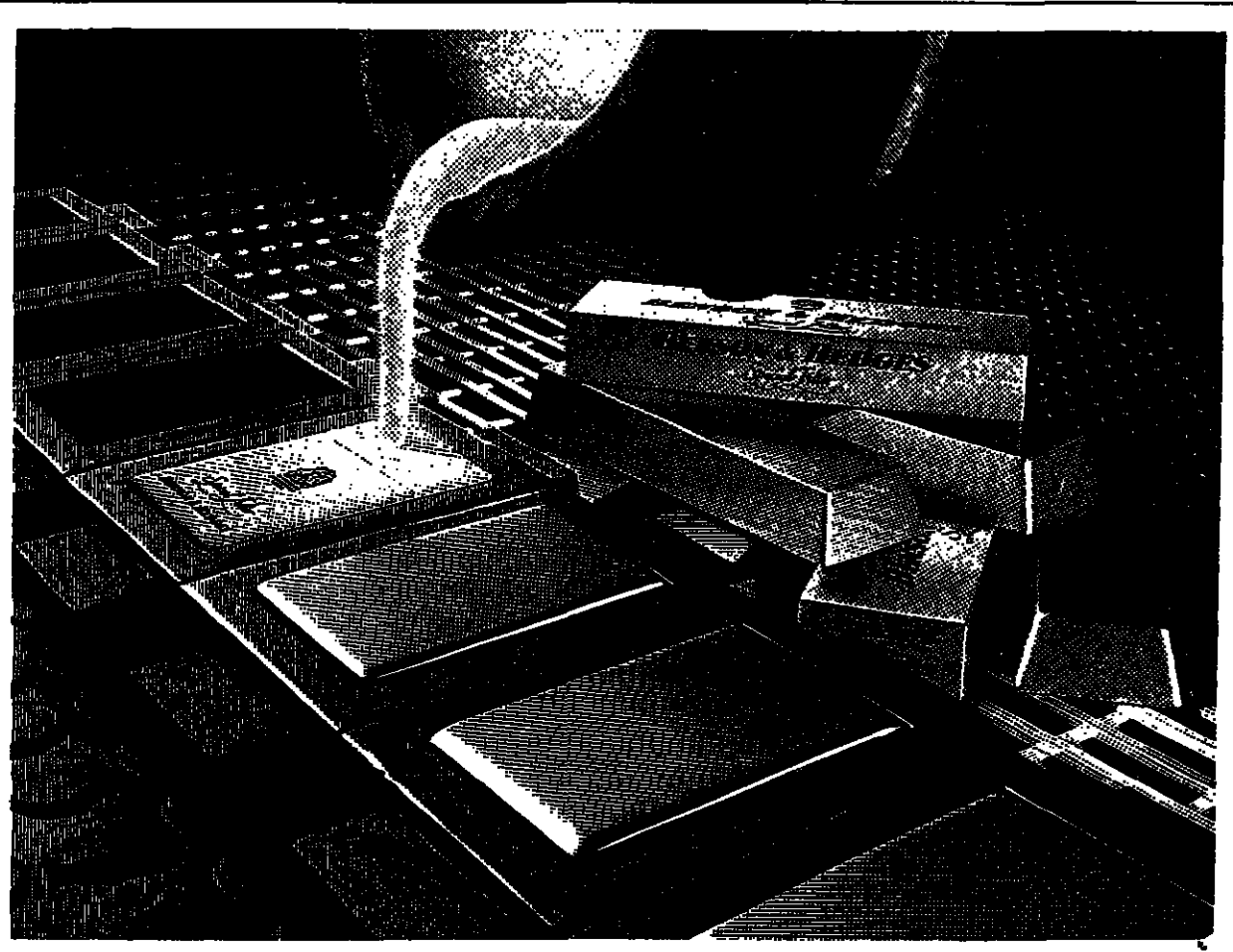
Designed for readers who want to hit the road in style.

Weekend on Friday is part of the IHT's new, still evolving, day-by-day lineup of special feature pages, designed to brighten all your reading week:

- Insights on Wednesday
- Science/Technology every Thursday
- Style one Thursday each month
- Weekend & Travel on Friday
- Arts on Saturday

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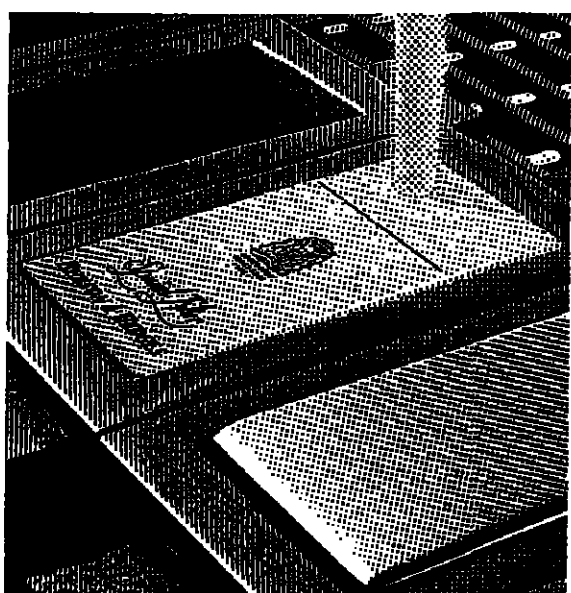


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14% of U.S. Population Is Classified as Poor; Highest Rate Since '67

By John Herbers
New York Times Service

WASHINGTON — The number of Americans officially classified as poor increased by about 2.2 million, or 7.4 percent, in 1981, giving the nation its highest rate of poverty since 1967.

The Census Bureau said Monday that 14 percent of the population, or one person in every seven, had incomes below the poverty threshold set by the federal government. It said that 11.1 percent of whites, 34.4 percent of blacks and 26.2 percent of Hispanics were poor.

Most of those entering poverty last year were children, so that almost one child in every five was classified as poor. The threshold of poverty was \$9,287 for a family of four, up from \$8,444 the year before because of inflation.

The information was based on a national sample of 62,000 households in March.

The findings for 1981 were of particular interest because that was the first year of the Reagan administration, which came into office promising to revitalize the economy.

U.S. Jury Indicts CIA Ex-Agent in Munitions Deal

New York Times Service

HOUSTON — A federal grand jury Monday indicted a former Central Intelligence Agency agent, Edwin P. Wilson, and two others on charges growing out of the shipment of 20 tons of restricted, strategically sensitive plastic explosives to Libya in October, 1977.

According to the federal indictment, the 40,000 pounds of plastic explosive, called C-4, is the largest quantity of explosive of any kind known to have been involved in an illegal shipment. The material is designated as a "defense article," or strategically important munition, the indictment says.

The explosive was disguised and flown out of Houston under a falsified flight plan listing its final destination as Lisbon when it was actually bound for Libya, prosecutors say.

Mr. Wilson, who was arrested in June and is now being held at an undisclosed site in the New York area, was previously indicted in New York on charges that he and another former CIA agent, Frank E. Terpil, shipped illegal explosives and other weaponry to Libya and trained Libyan terrorists. Mr. Terpil remains at large.

Census Bureau officials pointed out that the survey reflects only cash income and does not include such benefits for the poor as food stamps, public housing and medical care.

A bureau study released earlier this year showed that if non-cash benefits were counted as income, the number of poor would be reduced by between 12 percent and 42 percent, depending on the method used.

That, however, does not alter the year-to-year change in cash income, nor does it count the cuts that the administration has made in non-cash benefits for the poor, beginning in 1981.

Many blacks have charged that they are particularly harmed by the budget cuts, in both cash and non-cash income, because they make up such a large percentage of the poor. The bureau's figures showed a disproportionate number of blacks entering poverty status. In 1980, 32.4 percent of blacks were below the poverty level; in 1981, the rate was 34.2.

The rate of poverty for Hispanics remained relatively steady, the bureau reported. However, many Hispanics are whites with high incomes, and the survey did not separate them from the traditionally poor Hispanic groups such as Mexican-Americans.

The Bureau's report also contained the following findings:

- The median family income for the entire population declined by 3.5 percent between 1980 and 1981 after adjustment for inflation. The median figure for 1981 was \$22,390. The purchasing power of American families was less than it had been a decade earlier.

- On overall income, the Northeast was the only region that did not suffer a decline. The median income there was \$23,710. The northern region, with \$23,120; the South, with \$20,580, and the West, with \$23,870, all showed a drop from 1980.

- Counting only cash income, much of the progress that was made against poverty during the 1960s and 1970s has been wiped out. In 1960 about 22 percent of the population was classified as poor. The rate declined steadily for a number of years, falling to 14.2 percent in 1967. It reached a low of 11.1 percent in 1973 and remained fairly steady until 1980, when it shot up to 13 percent.

The bureau made no predictions about trends for this year, but a number of officials believe that poverty has continued to increase and that real incomes have declined during the first seven months because of the continuing recession and further cuts in federal programs.



Conservationists demonstrate in Brighton, England, where whaling talks are being held.

Anti-Whaling Nations Win Opening Battle at Talks

United Press International

BRIGHTON, England — The United States and other nations have won a preliminary battle in their 10-year campaign to ban the commercial killing of whales.

But Japan, the chief whaling nation, said it would continue to fight the ban and instead seek improved measures to conserve whale stocks while allowing commercial whaling to continue.

Backed by the Soviet Union, it has warned that if a ban is imposed it would break up the International Whaling Commission — meaning a return to unregulated hunting.

The latest battle to save whales from possible extinction broke out Monday as the commission opened its annual weekend-long conference.

In a significant preliminary victory, the United States and its anti-whaling allies won a majority vote of more than three-fourths in the commission's technical committee to recommend imposition of the ban.

But the issue still has to be debated and voted on in the full commission later this week — possibly Wednesday or Thursday.

Agency Says Global Eradication of Smallpox Is Holding

United Press International

GENEVA — The global eradication of smallpox, declared two years ago as holding, and even more of new cases are declining, the World Health Organization said Monday.

Everglades Deer Hunt Is Halted; Toll Is 730

Washington Post Service

MIAMI — The controversial hunt to kill Everglades deer was halted Monday when game management officials agreed to stop the shooting and animal rights workers dropped rescue efforts.

Both sides claimed victory after the announcement that the "mercy kill" would end after two days. In all, hunters killed 730 deer and rescuers saved 20. The Florida Game and Fresh Water Fish Commission called the out-of-season hunt to thin out what it claims is a herd of 6,000 deer that are starving because of unusually high water in the Everglades marshes.

The last known case of smallpox was in Somalia in 1977 and the disease was provisionally declared defeated in 1979. Eradication was formally announced by WHO in May, 1980, after a statutory one-year waiting period.

The agency said there were 63 rumored smallpox cases in 1979, 31 in 1980 and 30 in 1981, most of them misdiagnosed cases of chicken pox, measles and other skin disorders. None was smallpox.

WHO said that 150 of its 158 member nations and association members have complied with a call to cease routine vaccination, which has become unnecessary and can present unjustified danger. "Moreover, unnecessary vaccination may be regarded as constituting medical malpractice," it said.

Egypt and Kuwait still conduct routine smallpox vaccination while six other WHO member states have failed to supply information.

The agency also urged governments to discontinue vaccination of military personnel, as Britain and Finland have recently done.

Fischer Plans to Leave Post

United Press International

WASHINGTON — Dean E. Fischer, the State Department spokesman for the last 18 months, has resigned, but he has been asked to remain in his post until Secretary of State George P. Shultz can find a successor.

Service Stations in U.S. Adapting To End of the Gas-Guzzling Era

By Molly Sinclair

Washington Post Service

WASHINGTON — The Gulf Oil Corp. station at 1100 Rhode Island Ave. NW sells three grades of gasoline, a variety of oil products and now, with the installation of a special coin-operated machine, it also sells air.

In addition, the station has converted one service bay into a laundromat with eight washers and five dryers. A second bay has been made into a convenience store stocked with eggs, bread, sandwiches, chips and soda.

"This is a good business if you have everything down to a science," said Koo Yuen, the man behind this station — and 15 others in the Washington metropolitan area.

At 28, Mr. Yuen has emerged as one of the biggest and most enterprising forces in the Washington gasoline retail market. Nine years ago he had one Exxon dealership. Today his company has 16 service centers pumping more than 1.5 million gallons (5.68 million liters) of gasoline each month.

Mr. Yuen, who was born in Hong Kong but grew up in Washington's Chinatown, has expanded his empire by transforming traditional stations with low-volume, unprofitable sales into multiservice, money-making centers. He has done that, he says, by making better use of station space, improving equipment and pricing his products low enough to attract customers but high enough to turn a profit.

Effort to Cut Costs

Mr. Yuen's innovations reflect the efforts under way throughout the gasoline industry to adapt to new price and supply problems. Plagued by shortages one year and surpluses the next, changes in traditional consumer buying patterns and uncertain world political conditions, gasoline retailers are finding it increasingly important to cut operating costs to a minimum and maintain a competitive edge.

"Dealers have been literally wiped out because they didn't realize what was going on quickly enough — one day a glut and one day a shortage and the competition was killing them and they didn't know it until it was too late," said Victor Rasheed, executive director of the Service Station Dealers of America.

The old-fashioned service station that dispensed free maps, and where the attendant washed a car's windows and checked its oil, water and air has been on the decline for nearly 10 years, ever since the first gasoline shortage of the early 1970s. At the same time, self-service pumps have blossomed and now account for more than 60 percent of the volume dispensed in the United States, compared to less than 20 percent in 1974.



Koo Yuen and his multiservice gas station in Washington.

In addition, about one-third of the nation's service stations have vanished as operators shut down unprofitable businesses. In 1972, there were 278,528 retail outlets supplied by major refiners; in 1980, there were 188,530.

The cause of the decline is apparent in the statistics on gasoline demand. Through most of the 1970s, gasoline sales rose dramatically, finally hitting a peak in 1978 when consumers were using 7.4 million barrels a day, according to the American Petroleum Institute.

Since 1978, however, use has been dropping. Consumers used only 7 million barrels of gasoline a day in 1979; 6.6 million in 1980 and 1981, and 6.4 million so far in 1982.

"This is the new environment we [oil companies] are going to have to live in," said Jim Fair of Standard Oil Co. (Indiana), also known as Amoco. "People are driving more miles every year, but they are driving smaller, more efficient cars."

To survive, companies are having to scramble to keep their existing customers and when possible attract new ones from other companies.

Major companies such as Amoco, Shell Oil Co. and Exxon Corp. are renovating their stations, making them more efficient and installing new computerized equipment.

"We need a stronger identity — a way to make our stations stand out," said Mr. Fair. "We removed a lot of the clutter that traditionally is around service stations to make them look more inviting to motorists."

Before launching its image program, Amoco interviewed thousands of dealers and motorists to determine what they wanted service stations to be. "We found they wanted a variety of things — clean, cheerful, sharp-looking stations and to be able to drive in, get gas and get out in two minutes but also to have full service [as an option]," Mr. Fair said.

New and remodeled gasoline stations today typically have one or two attendants who can operate pumps electronically from the inside of a secure, well-lit booth. The attendants frequently sell cigarettes, candy and other convenience store items. And, after accepting the payment in advance, they tell the station's computer to allow the dispensing of the gasoline paid for by the motorist.

Sometimes these stations have service bays for car repair and maintenance needs. Sometimes they sell only gasoline. But both kinds have been designed for maximum security and minimum labor, with more functional service bays and computerized pumps that are more accurate and faster than the old pumps.

Mr. Yuen has pioneered ways to make failing stations profitable, including the multiservice concept, aggressive pricing and emphasizing foreign car service in neighborhoods where foreign cars are widely owned.

Not all of Mr. Yuen's ideas work, however. He tried a video game room in one service bay area at the Rhode Island station, but it has not drawn the anticipated profits so the games are being removed. But Mr. Yuen is not discouraged. He plans to simply expand the laundromat operation in the adjacent service bay.

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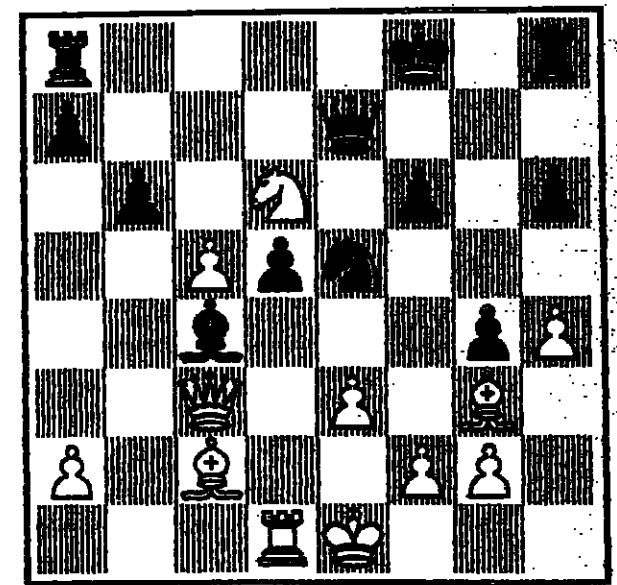
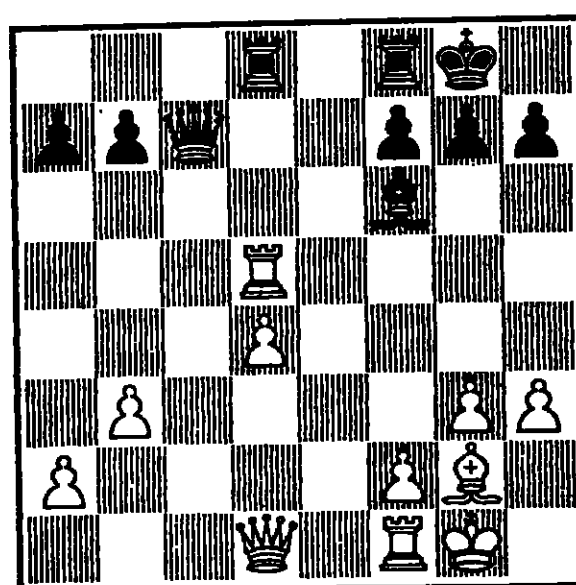
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China Remark Upsets Macao, Hong Kong

2 Colonies Are Asked To Discuss Constitution

United Press International
HONG KONG — Reports that China had hinted that its new constitution was relevant to the future of Hong Kong and Macao have left the two colonies confused and anxious.

Some commentators gave credence to the Western news reports, but others contended that the writers of these accounts had misinterpreted comments made by the Chinese vice-chairman, Peng Zhen, and carried by the Chinese news agency Friday.

Hong Kong's stock market closed mixed Monday, reportedly because investors were confused over the differing interpretations of the statement. Macao property sales reportedly suffered because of a sudden lack of buyers.

The governments in Hong Kong and Macao made no comment.

Contradictory Articles
In the Chinese news agency dispatch, Mr. Peng called on China's "compatriots" in Taiwan, Hong Kong and Macao to discuss a draft of the revised Chinese constitution. The various Western news reports interpreted Mr. Peng's comment as Macao property sales reportedly suffered because of a sudden lack of buyers.

The two major English-language newspapers in Hong Kong carried conflicting accounts. The headline on the South China Morning Post's article said, "China experts debunk compatriots report." The Hong Kong Standard's headline read, "China plan to administer Hong Kong."

A Chinese-language newspaper in Hong Kong, Ming Pao, ran an editorial Sunday saying, "Peng Zhen's statement gives no indication at all, explicit or implicit, on the future of Hong Kong and Macao."

A conservative Hong Kong commentator, Chang Kuo-sin, agreed. "It has nothing to do with Hong Kong.... What Peng had in mind was to solicit opinion from people overseas on the constitution, especially articles concerning them."

On Tuesday, however, Ming Pao said in another editorial that "in his heart perhaps he was also thinking of Hong Kong and Macao." It went on to speculate that Mr. Peng's comments "are really the Communist Party Central Committee's policy in principle" on the Hong Kong-Macao question.

Singapore Cracking Down on the Press Again

Lee's Government Seeks to Advance Campaign for National Consensus

By Colin Campbell
New York Times Service

SINGAPORE — For the second time in 11 years, the government of Prime Minister Lee Kuan Yew has sought to advance its campaign for a national consensus by cracking down on the press.

Since January, the government has criticized several editors and persuaded them to stop coverage of the small political opposition, which has had one member in Parliament since October.

The government has also named a former director of national intelligence to oversee a leading English-language daily in Singapore. The Straits Times, and has ordered the Straits Times Group to give up its afternoon paper, the New Nation, for a nominal fee and turn it over to a company that had planned for two years to start a rival morning paper.

The government is said to be acting under the authority of the Newspaper and Printing Presses Act of 1964, which gives it the power to license newspaper editors and directors and lets it distribute managing shares in newspaper

companies to people approved by the minister of culture.

The government also has arranged a merger of two rival Chinese-language dailies, placed the New Nation under this new managerial umbrella and appointed senior government officials to the management of the new company.

The government has also begun articulating some long-cherished concepts about the role of the press in this city-state. Suppiah Hanabalan, minister for foreign affairs and culture, said in an interview published May 18 in the Straits Times:

"A service press does not serve the purpose that the press should serve in society. But it doesn't mean, therefore, that the press should feel that it has to adopt an anti-establishment attitude, that only then it is credible, which is the problem with many in the Western liberal press."

Executives Detained
The government crackdown has been less severe than in 1971, when Mr. Lee was widely criticized in the West for closing down three

newspapers and arresting several journalists.

He halted publication of Nanyang Siang Pau, a Chinese daily, asserting that it was spreading what he described as Chinese ethnic chauvinism. Four executives of the Chinese paper were detained.

And he closed two English-language newspapers — Eastern Star, which he said was backed by Communists in Hong Kong, and The Singapore Herald, which he charged with subverting Singapore's will by opposing national military service, the Internal Security Act and the government's strict rules on public behavior.

There have been no charges this year that the country's newspapers have been subversive. Instead, statements from the prime minister's office, Mr. Hanabalan and other officials have accused the press of inaccurate coverage and of being staffed with untrained reporters.

The statements have also said that there is a need to avoid relying on foreign editors at English-language papers.

The government said that it

wants to upgrade the quality of journalism, especially in the growing English-language market, and to ensure that Chinese journalists do not lose their jobs as the study of Chinese continues to decline.

In striving for a national consensus, Mr. Lee has warned that his generation of experienced leaders will soon be gone and that factionalism could tear Singapore apart.

In addition, the prime minister has expressed concern that Singapore might be harmed by more welfare programs than the country can afford, a less carefully administered and more political public life, and a press that is less attuned to the country's elected government.

The editor of the Straits Times Group, Peter Lim, said that he thought he understood why the government had intervened in press affairs. He said that his group's English-language newspapers had expanded too fast, hiring too many journalists who could be described as amateurs. He said he thought some government charges of inaccurate reporting were justified.

He also said, however, that he had decided, after becoming chief editor in 1978, to pay more attention to Mr. Lee's critics. Mr. Lim said that he personally supported the governing People's Action Party.

Last fall, The Straits Times, which has a circulation of 225,000 daily and slightly more on Sundays, devoted considerable space to Joshua Benjamin Jeyaretnam, the candidate of the Workers' Party, and his successful campaign for Parliament in the October elections. He was the first opposition politician to win a seat in 16 years, and Mr. Lim said the government held the press partly responsible for this development.

Apparently supporting that assessment was a statement made in February by the second deputy prime minister, S. Subramaniam Rajaratnam, who said that "the role of an opposition is to ensure bad government."



Lee Kuan Yew

Mr. Lim said that even after the arrival in mid-February of his government supervisor, S.R. Nathan, who is regarded by foreign diplomats as a capable administrator, there was still room for discussion — "if only in the letters column," he added, smiling.

Before the crackdown on the press, the government had been perceived by many to be giving Singapore's newspapers greater leeway.

The impression had grown that the governing party and the prime minister, who has been in office since 1959, were sufficiently popular, entrenched and accomplished that they had no rational grounds to fear freer examination.

On May 21, 24 journalists and two other employees were dismissed by The Straits Times. Some such move had been expected since Mr. Nathan's arrival and even more so after the government announced April 20 that the New Nation would be turned over to a government-structured rival. The New Nation, a tabloid, has a circulation of about 40,000.

As for The Straits Times, whose owners reported record pretax profits of \$14 million for the second half of last year, largely from English-language publications, the government has announced that the company will be allowed to start a Chinese newspaper.

Nuclear Reprocessing Called Failure-Ridden

By Milton R. Benjamin
Washington Post Service

WASHINGTON — A new study of the operating record of nuclear reprocessing plants has concluded that these facilities — which take used fuel from atomic power stations and separate out plutonium suitable for use in nuclear weapons — are shut down so much of the time because of accidents and technical problems that they are "not commercially viable."

The report by Arjun Makhijani, a nuclear engineer, found that the average life of commercial reprocessing plants around the world has been six years, and that they have operated at "from 10 percent to about 35 percent" of capacity — far below "the 80 percent which is generally assumed in calculations of the economics of reprocessing."

The study, made public Tuesday, seems certain to become a new element in the debate over the Reagan administration's efforts to revive and bring into commercial operation a nuclear reprocessing plant in Barnwell, S.C., on which \$300 million has already been spent.

In an effort to encourage private investors to put up the estimated \$400 million still needed to put the Barnwell plant into operation, the Energy Department is recommending to the White House that the U.S. government agree to purchase all plutonium produced by the facility and assure new investors that there would be no change in policy that would prevent its operation.

The Energy Department, which was provided on Thursday with a copy of the new report on reprocessing by the Washington-based Health & Energy Learning Project, declined Monday to comment on its conclusions.

6 Plants Examined
The study by Mr. Makhijani, a private consultant who holds a doctorate in nuclear fusion from the University of California, examines the operating records of the six plants that have reprocessed spent fuel from civilian nuclear

power plants: La Hague, France; Windscale, England; Karlsruhe, West Germany; Mol, Belgium; Tokai Mura, Japan; and West Valley in New York state.

The two that went into service most recently — La Hague, which started up in 1976, and Tokai Mura, which began reprocessing fuel in 1981 — have an operating record even poorer than some of the earlier plants, the report said.

The La Hague plant has operated at "about 10 percent of rated capacity. Even so, it has had, on average, one serious accident about every four months from January, 1980, to June, 1982," the report said.

"These accidents include spills of large quantities of plutonium [an extremely toxic substance], a fire in a radioactive storage trench, and an April, 1980, total power failure which stopped the cooling of the high-level waste tanks and almost resulted in their blowing up," the report said. "Such an explosion would have contaminated vast areas in France and southern England with high-level radioactive waste."

The newest facility, Tokai Mura, performed at about 15 percent of rated capacity in its first year, the report said. "It has already had several breakdowns, accidents and severe worker exposures to radioactivity," the study reported. The operators of the plant announced on April 15 that as the result of an accident in which radioactive matter touched the heating steam of the fuel rod melting pool, Tokai Mura would be closed "for about one year."

U.S. Test-Fires Minuteman

United Press International
VANDENBERG AIR FORCE BASE, Calif. — An unarmed Air Force Minuteman 2 intercontinental ballistic missile was fired from Vandenberg Air Force Base Monday night and traveled 4,200 miles (6,760 kilometers) over the Pacific Ocean to its target, the Air Force said.

White House Urges Move to Limit Insanity Defense in Federal Cases

By Robert L. Jackson
Los Angeles Times Service

WASHINGTON — The Reagan administration has mounted a sharp attack on the insanity defense in federal cases, calling for virtual elimination of the law under which John W. Hinckley Jr., the president's assailant, was found not guilty by reason of insanity last month.

In testimony Monday before the Senate Judiciary Committee, Attorney General William French Smith said that the administration favored limiting the insanity defense to cases in which a defendant was so deranged that he did not know he was attacking a human being.

Psychiatrists who have testified at recent Senate hearings said that such cases are almost unheard of.

Mr. Smith, who criticized Mr. Hinckley's acquittal in guarded terms last month, used much stronger language Monday in objecting to what he called "critical flaws" in federal laws regarding insanity defenses that invite "the presentation of massive amounts of conflicting and irrelevant evidence by psychiatric experts."

Insanity trials "are arduous, expensive, and worst of all, thoroughly confusing to the jury," Mr.

Smith told the committee. He said that present law encourages psychiatrists for each side to offer contradictory testimony to jurors. Recommending that such testimony be eliminated, Mr. Smith said that a defendant's "mental disease or defect" — like any other motivation — should be taken into account only at the time of sentencing.

Mr. Smith urged Congress to amend the insanity defense so that "a mental disease or defect would be no defense if a defendant knew he was shooting at a human being to kill him — even if the defendant acted out of an irrational or insane belief."

Thus, to offer a plea of insanity, a defendant would have to assert that he did not know he had a weapon in his hand or thought, for example, "that he was shooting at a tree," Mr. Smith said.

Rudolph W. Giuliani, an associate attorney general who accompanied Mr. Smith to the hearing, said that the administration's proposal to revise the insanity defense law amounts to "narrowing the insanity defense to the constitutional minimum."

Mr. Smith and Mr. Giuliani said the administration's proposals would parallel one of the seven pieces of legislation pending be-

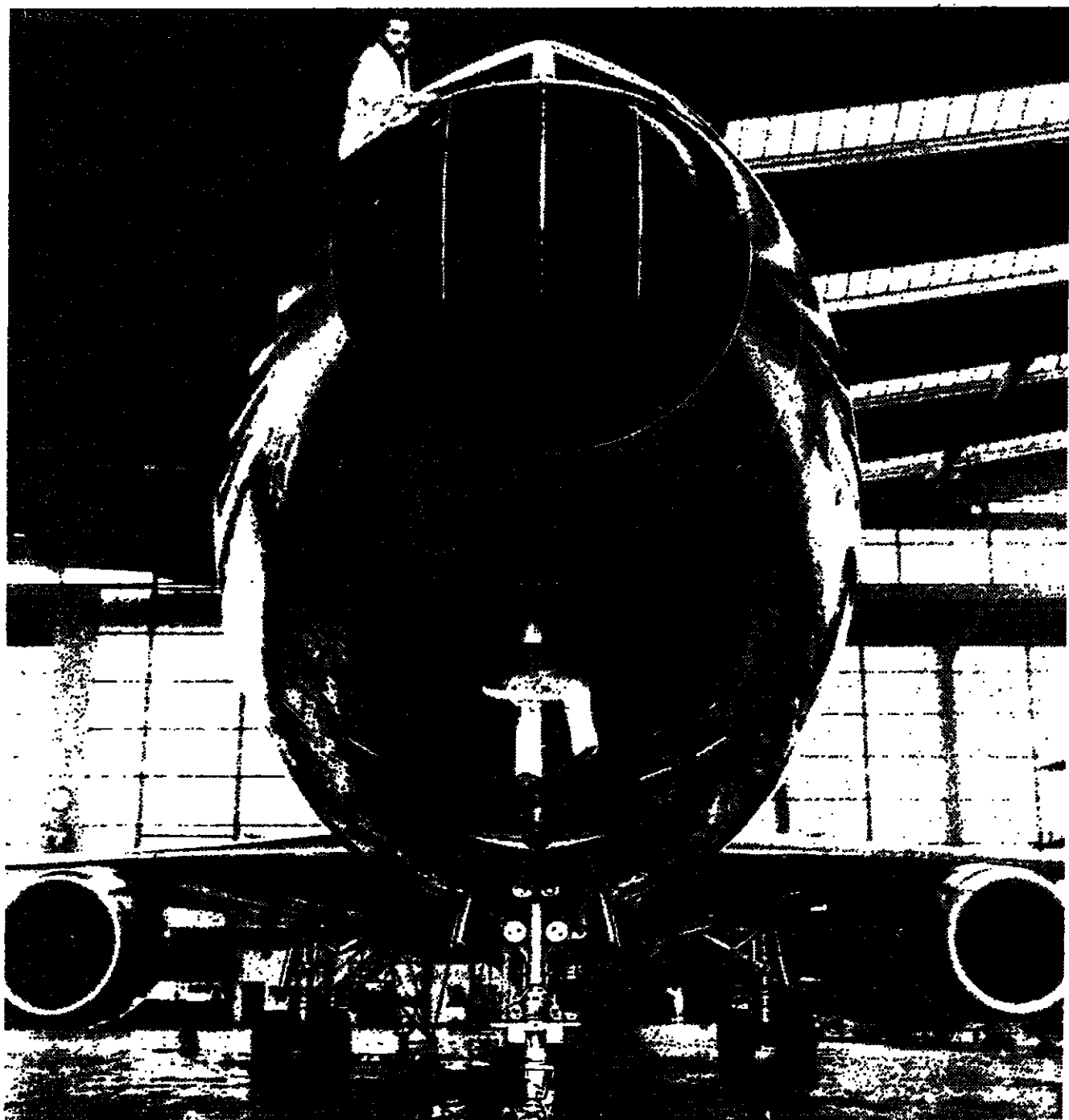
fore the Judiciary Committee, a bill sponsored by the group's chairman, Sen. Strom Thurmond, Republican of South Carolina, and 20 other senators.

Sen. Thurmond said he hoped that Congress would also consider changing the present verdict of "not guilty by reason of insanity" to one that reads "guilty but mentally ill."

Under that approach, a person deemed to have committed a crime but judged insane would be committed to a mental institution unless cured — in which case, the individual would be transferred to a federal prison to serve the balance of his sentence.

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Decline of White European Stock Accelerates, U.S. Ethnic Study Says

New York Times Service

LOS ANGELES — The proportion of Americans who are white and of European ancestry, the nation's basic ethnic stock since colonial days, will decline at an accelerating rate in the next two decades, according to an analysis of population trends by a California research organization.

Based on computer projections of immigration patterns and fertility rates, the study concluded that Americans who are white and non-Hispanic will make up 77 percent of the population in 1990 and 75 percent by 2000, compared with approximately 80 percent in 1980.

The analysis, done by the Center for Continuing Study of the California Economy, predicts explosive population growth for people of Asian and Hispanic ancestry. The number of Asians will rise at least 90.7 percent to 10.6 million in the next two decades, while the number of Hispanics will increase at least 58 percent to 23 million, according to the study.

Pattern in '80 Census
If the forecast is accurate, the trend would continue a pattern observed in the 1980 census. In the 1970s, the proportion of non-Hispanic whites in the population declined to about 80 percent from 89 percent.

"More than half of the U.S. population growth in the next two decades will come from minority groups," said Stephen Levy, a co-author of the report.

People of Hispanic origin are expected to account for about 25 percent of the population growth, largely because of a higher birth rate among Hispanic families, the relative youth of Hispanic women, and continuing emigration from Mexico and other Latin countries. Robert Arnold, director of the research group in Palo Alto, which specializes in studies of the Cal-

ifornia economy, said the projections were derived from a computer model of demographic trends based on current fertility and death rates, immigration patterns, and projections.

These projections include an assumption that the birth rate for Hispanic women, now 30 percent to 50 percent higher than the national average, will decline as the women adopt values more common to the national norm.

The researchers for the study

forecast that the nation's population, which was 226.5 million in 1980, would rise to 248 million by 1990, and 267 million by 2000, a total increase of 18 percent.

The report said that blacks, who made up 11.5 percent of the population in 1980, would make up 12.4 percent in 2000, or about 33.5 million. Hispanic residents, who made up 6.4 percent of the population in 1980, are expected to make up at least 8.6 percent in 2000, about 23 million.

Roman Jakobson Dies at 85; Was Slavic Language Scholar

Compiled by Our Staff From Dispatches

BOSTON — Roman Jakobson, 85, an internationally known linguist and authority on Slavic languages and literature, died Sunday. Mr. Jakobson, a native of Moscow, was a professor emeritus at both Harvard University and the Massachusetts Institute of Technology.

He was best known as the father of modern phonology, the study of the abstract properties of the sounds of speech. MIT said in a statement. He believed that many linguistic phenomena that appeared independent of others actually resulted from general laws.

David Frankfurter

TEL AVIV (AP) — David Frankfurter, 72, who in 1936 assassinated Wilhelm Gustloff, the German leader of the Nazi Party in Switzerland, died Monday.

A Swiss court sentenced Mr. Frankfurter, then a 26-year-old medical student, to 18 years in prison and refused German demands for his extradition. Released nine years later, following the Nazi defeat in World War II, Mr. Frankfurter emigrated to Palestine.

Katherine Handy Lewis

NEW YORK (UPI) — Katherine Handy Lewis, 80, a singer who was the daughter of William C. Handy, "the father of the blues," died Thursday.

When she was 12, she was the first person to perform the "St. Louis Blues," her father's best-known work, in public. Mrs. Lewis also sang at the White House in 1978 at the request of President Jimmy Carter. Her last performance was in 1981 at Carnegie Hall in New York.

Robert Hagel

BURBANK, Calif. (UPI) — Robert Hagel, 41, who took over the newly formed Burbank Studios 10 years ago but was forced to resign five years later because of health problems, died July 12 of an overdose of sleeping pills, police said.

Charles E. Beard

DALLAS (AP) — Charles E. Beard, 80, who as president of Braniff from 1954 to 1965 saw the company grow from a small regional airline to one of the world's 10 largest carriers, died Sunday of heart failure.

Dale D. Morsch

NEW DELHI (UPI) — Dale D. Morsch, 50, United Press International's chief correspondent for West Asia, was found dead at his home Monday, apparently of natural causes.

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

The World's Saddest War

From THE NEW YORK TIMES

Pity the people of Ethiopia and Somalia, trapped in a war as sterile and brutal as the Ogaden desert over which it is waged.

This is Africa's oldest running war. It began in 1960, turned into a real bloodbath in 1977-78, flared, and then last week showed signs of boiling up again in earnest. Ethiopia, it appears, was the aggressor in a testing border assault, although that is disputed in the usual exchange of insults between Addis Ababa and Mogadishu, whose regimes are allies in their zeal.

Other wars may be bloodier but none are sadder. Somalia say Britain had no right in 1897 to give Ethiopia title to the Ogaden, a desert inhabited by nomads, many of them Somalis. On independence in 1960, Somalia revived its claim and proxy guerrillas asserted it. The war has produced little but corpses.

And refugees. As many as 1.3 million refugees — the largest outpouring in Africa. They live in misery, unusual even for Africa; they are afflicted by drought as well as by "liberators," and they survive only with subsistence help from the United Nations.

Ethiopia's case is no more deserving. Its

ostensibly socialist regime rules with the aid of 3,000 Soviet advisers and 13,500 Cuban troops. In spirit Ethiopia's politics are closer to Macbeth than Marx; its ruling warlord, Colonel Mengistu, seems fully capable of flipping opportunistically to the West if circumstances warrant. Such dexterity has already been displayed by his Somali rival, President Siad Barre, once a Soviet client but now a supplicant for American aid.

Fortunately, the United States did not take up Somalia's plea for advanced planes and missiles, baited with the offer of a former Soviet base in Berbera. However tempting the base, the price would have been American involvement in Somalia's wars. That in turn would have given Ethiopia the justification it now lacks for Soviet-bloc assistance in the Ogaden, not to mention the war it is also fighting against Eritrean insurgents.

The United States has vital interests in the Horn of Africa; the most important one is still to stay out of this bitter regional conflict. The responsibility for ending this sad war lies not in Washington but in Africa, with the Organization of African Unity.

Khomeini on the March

From THE WASHINGTON POST

Iran's invasion of Iraq has dismayed most countries of the region, not to mention more distant countries whose well-being depends on stability around the Gulf. It was bad enough when Ayatollah Khomeini was broadcasting his doctrine of Islamic fundamentalism among conservative Arab regimes vulnerable to revolutionary contagion and Shiite subversion. It is worse now that he has sent his army, the second most powerful in the region, across a national frontier.

Israelis appear pleased, noting that the Khomeini regime has proved pragmatic enough to shop in Israel for military equipment. They hope fear of Iran's rampant faith and force will distract the Arabs and perhaps incline Jordan, for one, to deal with them.

Such expectations run directly counter to the currents carrying the Khomeini revolution. A leading Iranian complaint is that the Arabs have sloughed off their duty to "liberate" Palestine. This complaint is leveled even against Iraq, the Arab country most systematically hostile to "the Zionist entity." Alone among Moslems, Iran has sent soldiers to help the PLO in Lebanon, meanwhile exhorting the Arabs for cowardice. To Ayatollah Khomeini, Baghdad is but a step on the road to Jerusalem. It takes a cool nerve, or

considerable myopia, for Israel to put the short-term advantage of the Iranian invasion over the longer-term risk of Iranian success.

But if it is too much to expect Israel, embattled as it is, to take the longer view, there should be no comparable hesitation among the Arabs and their friends. Egypt, seeing a chance to break further out of its Camp David isolation, is making a show of its readiness to assist Iraq with arms supplies. To the conservative Gulf regimes, which foolishly poured upward of \$20 billion into Iraq to sustain its invasion of Iran, it should be worth far more to blunt Iran's invasion now.

Can the ayatollah arouse Iraq's Shiites? Will Iran's professional officers or volunteer soldiers fight as effectively in aggression as they did in defending their own soil?

The United States has vital interests in the Gulf. Long antagonism to America remains the possibility of direct U.S. support of Iraq, but the Reagan administration should be able to convey to and through friends like the Saudis its interest in restoring the territorial status quo and in turning the Gulf's conflicts to peaceful channels. Meanwhile, there is the crisis in Lebanon: It is precisely because of the stakes in the Gulf that the Lebanese situation and the Israeli-Palestinian hostility behind it must be eased.

Out of Work in America

From THE WASHINGTON POST

With Congress busy cutting programs and raising taxes, it is easy to forget that some parts of the United States are in the midst of a depression — not a recession, but a real old-time depression. Nationally, almost one in 10 job-seekers cannot find work, but in some localities unemployment is almost twice the national rate. What can be done?

The House Ways and Means Committee recommends that the government provide an extra 13 weeks of unemployment benefits to hundreds of thousands of workers in high unemployment states. But this is not a normal recession in which all you want to do is tide people over until they get called back to their jobs. Many jobs in autos, steel and other basic industries are never going to come back.

One way to help workers make a more permanent adjustment would be to re-employ them doing other things that need doing in areas where local governments are having to cut back sharply on services. A House leadership proposal before the Appropriations Committee would give jobs to the long-term

unemployed in hard-hit areas doing repair and maintenance work on roads, bridges and other public facilities. Workers might learn new skills and perhaps get permanent jobs if the local economy improves.

Other approaches would spend money to retrain workers for industries likely to expand when recovery comes. The Senate passed a jobs bill that would provide up to \$100 million for this purpose, using local private industry groups to organize the training. Another measure awaiting House action would spend \$250 million to train skilled workers for the defense industry.

The best approach would coordinate all these efforts — tie unemployment aid to a worker's willingness to take a new job or training, and develop jobs and training with an eye to future labor shortages. But that would require recognition by the administration and Congress that the trend in unemployment has been upward for a long time and that bringing it down is no longer a matter of simply waiting out the business cycle.

Other Editorial Opinion

The Namibian Negotiations

It would be a tragedy if the issue of the Cubans were allowed to abort the Namibian negotiations at this late stage. Angola has made it absolutely clear that they will leave when the threat of South African attack is removed — and with South African units now operating at will across the Namibian border, that is a very real threat. What the Western five must do is persuade Angola and its African allies that it is not just a question of Cuban withdrawal that is related — indirectly — to a Namibian settlement, but the stability of the whole region. If the Africans could be given a Western-backed assurance that South Africa would cease its destabilization activities in other parts of the region — for example in training and supplying anti-government guerrillas in Mozambique — then a demand for Cuban withdrawal might become more acceptable. In that way, a Namibian settlement would indeed become

what its promoters desire: a basis for stabilization throughout southern Africa.

— The Financial Times (London).

Cash on the Barrelhead

The grain/pipeline analogy is misplaced. If the Europeans sold pipelines on the same terms that the United States sells grain, there would be no problem. The big problem with the pipeline deal is that it will be financed with Western capital at below market rates. This not only represents a large net transfer of resources to our sworn enemy, it makes the Western financial system vulnerable to future Soviet economic and political demands. We are merely asking the Europeans to impose the same restraints on themselves as the United States has for some years.

In Soviet trade, the principle should be rubble on the barrelhead. Better yet, hard currency on the barrelhead.

— The Wall Street Journal (New York).

JULY 21: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: Korean Emperor Abdicates

SEOUL — The emperor's abdication came as the culmination of an all-night session of the Cabinet with the emperor, the ministers urging the necessity of the step as the only thing possible in view of the situation. Reports from inside the palace say that the emperor is in dire straits. He fought against abdication, finally giving way to urgent appeals and representations that Japanese guns were trained on the palace. He conferred with trusty followers as to the possibility of finding an asylum at the American or Russian consulate, but to no avail. The city is under the control of Japanese troops, and there have been many clashes between the mob and the police and soldiers.

1932: Suppression in Prussia

BERLIN — In a few but intensely dramatic hours, the German federal government suppressed the elected government of Prussia and virtually declared martial law in Berlin and the province of Brandenburg. The administration of Prussian affairs was taken over by the Reich government. Chancellor von Papen being appointed Reich commissioner for Prussia by presidential decree. The Prussian ministers have declared they will not follow the Reich government's action, pending appeal to the supreme court on the legality of the Reich government's action. Police and troops are patrolling near the Prussian government's offices and crowds are collected in expectation of the ministers being forcibly ejected.

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'Secretary of State Is a Hazardous Occupation'

By Dean Rusk

The writer was secretary of state under Presidents Kennedy and Johnson from 1961 to 1969. This is the first of two articles.

WASHINGTON — George Shultz has become the 60th secretary of state, under the 40th president; a little arithmetic suggests that being secretary of state in the United States is a hazardous occupation.

Shultz's nomination has been warmly received, and we must all wish him success. We are all in the same canoe and will come through turbulent waters or go down together. President Kennedy once remarked that domestic issues can only lose elections, but foreign policy issues can kill us all.

Since the changing of the guard at the Department of State has occurred in the midst of considerable speculation about tensions and procedures at the top of the administration, it might be well to recall certain simplicities, at least as seen by the senior member of the trade union of former secretaries of state.

We should begin with the often forgotten first sentence of Article 2 of the Constitution: "The Executive power shall be vested in a president of the United States of America." This sentence should be framed and hung on the wall of the White House mess; there is only one president in the White House.

A secretary of state serves at the pleasure of the president; the secretary's resignation is implicitly always on the president's desk. The president, in turn, must give thought to the arrangements that make it possible for a secretary of state to carry out his heavy responsibilities and to remain willing to carry the burdens of that office.

As George Shultz takes up his duties, he will find a five-foot shelf of statutory law organizing his department and setting many policies that he is obliged to pursue. Many of these statutes delegate specific responsibilities to the secretary of state, although it is generally understood that a secretary exercises these statutory responsibilities under the general direction of the president.

There will be times when a secretary will have to tell the president that certain things simply cannot be done under existing laws and appropriations. Presidents usually take

seriously their own constitutional duty to see that the law be faithfully executed.

The secretary of state must spend a great deal of time in ensuring that the complicated constitutional system functions smoothly in the conduct of relations with foreign nations. Chief Justice Earl Warren reminded some of us shortly before his death that if each branch of the federal government were to pursue its own constitutional prerogative to the end of the trail, the system simply could not function; it would freeze up like an engine without oil. The secretary must therefore give a great deal of time to his relations with Congress.

This means frequent appearances before committees and subcommittees, and he will find that almost every committee of Congress gets into the formulation in one way or another. He must keep in regular touch with congressional leaders. He must see that high priority is given in his department to con-

gressional inquiry by mail or by telephone. He must take the lead in promoting legislation, obtaining appropriations or getting Senate approval for treaties that are of interest to his department. Unhappily, he must also try to discourage Congress from indulging in foolish pranks that affect foreign relations.

Fortunately, the secretary is backed up by a professional diplomatic service that is second to none in ability, experience, dedication and — when needed — sheer gallantry.

It seems to be fashionable for new boys surrounding a new president to approach the foreign service with a mixture of suspicion and derision. After all, the foreign service does not share their view that the world was created at the last presidential election or that a world of more than 160 nations will somehow be very different because Americans elected one man rather than another as president.

These cheap shots, which are typical of almost every new administration, diminish as a new president and secretary of state come to appreciate the extraordinary capacities of America's professional diplomats.

The Washington Post.

The Unemployment Bomb

By Daniel Yergin

CAMBRIDGE, Mass. — "I just came back from a tour of many of our country's depressed areas and I can tell you that watching mature men with good skills go on soup lines is not something I found very rewarding." This comment may sound like something right out of the 1930s, but in fact it was spoken in 1982 by Canada's minister of employment. His words reflect a suspicion in North America and Europe that an employment crisis may be at hand and that the industrial world will find it difficult to maintain a commitment to even approximately full employment.

The problem does not discriminate among political ideologies. It is as much a challenge for Ronald Reagan's and Margaret Thatcher's free market as for Francois Mitterrand's socialism. Moreover, the Western economies are so interdependent that one country cannot solve the problem in isolation from the rest of the system; and any gains from protectionism are likely to be short-lived.

The unemployment problem is at the center of many of the most contentious issues dividing the major industrial countries — Japanese exports, the orderly marketing of the European steel industry and the Soviet-West European pipeline. Unemployment was supposed to be the central focus of the Versailles summit meeting last month, but because of American distraction it was merely noted that actually fact.

Yet month after month the unemployment numbers have been getting worse. According to some polls, unemployment has now replaced inflation as the leading economic concern of the American people.

The full extent of the problem has only recently become apparent, as various hopes and nostrums have been found wanting.

31 Million

In the United States, the unemployed were advised to "vote with their feet" — to leave the depressed Middle West for the booming Sun Belt. But now the oil boom in the Southwest is collapsing and that region is passing into a slump.

"A rising tide lifts all boats" was the confident adage last year, but the economy currently sits afloat in still waters, and the only relief in sight is a ripple that might result from the increased consumer spending expected from the July 1 tax cut. Even with that, it appears that unemployment may reach 10 percent in the United States by the end of the year.

Only a few months ago it was thought that unemployment in the Western world might reach 28.5 million by the end of the year. The year-end number now looks more like 31 million. Compared with the unemployment in the industrial world in the early 1970s — about 10 million.

Unemployment on this scale is a widespread human tragedy. It is also very costly to the overall economy. Tax revenues decline while expenditures for unemployment benefits and welfare increase — which explains part of the Reagan administration's growing budget deficits.

But the costs do not stop there.

Protracted unemployment is also a political time bomb. It violates the compact to maintain full employment that governments made with their publics in the years after World War II. At some point, political and social stability can be called into question.

What is responsible for the extra 20 million unemployed? A small part of the answer, but only a small part, is the growth in the overall labor force. Much more important has been a shift in what modern economies do — away from manufacturing and toward services, away from traditional goods and toward electronics.

No Magic

A process of readjustment, of job destruction and job creation, is inevitable and difficult. Moreover, attempts to simply jobs that are becoming obsolete only hinder the flexible adjustment that is required.

But the adjustment might have been much smoother were it not for two factors. First, the oil price explosion gave a powerful boost to inflation at the same time that they resulted in a substantial loss of income for the oil-consuming countries and have been a driving force in the economic slump. These unavoidable costs have been made worse by incoherent economic policies based on miscalculations. And the increases in energy prices have had a particularly unfortunate effect on such high-employ-

ment industries as steel and autos; energy price increases have contributed to the decline, and thus job destruction, in those industries.

Second, the unprecedented persistence of high interest rates is further choking economic activity.

Thus an overall decline in economic growth, generally poor business conditions, high interest rates, a growing aversion to risk — all have reduced the ability to make the long-term investment in physical and human capital that is required for economic renewal and job creation.

Unemployment will emerge as a major and perhaps the major political issue in the United States by November. Given the structural aspects of the problem, even a modest economic recovery would not necessarily much reduce overall unemployment.

There are no simple answers or magic reductions. It is most important, therefore, to get beyond routine recollections of the monthly numbers to a creative discussion of what mixture of private and public initiatives are required to reduce unemployment. For the United States is not so rich a society that it can afford to so casually abandon full employment.

The writer, a lecturer at the Kennedy School of Government at Harvard University, is chief author of "Global Insecurity: A Strategy for Energy and Economic Renewal." He contributed this comment to The New York Times.



Paying Attention to Mitterrand's Warning

By Daniel Greenberg

WASHINGTON — Was Francois Mitterrand merely replacing the discredited Luddite theme when he warned the Versailles summit that without careful guidance, new technologies could enlarge unemployment rolls that now total nearly 30 million in the industrial nations? Or is he correct to warn that new technologies, particularly in electronics and communications, pose a historically unique threat to already shaky economies?

President Reagan and his supply-side dismissed the Mitterrand warning, arguing that technology's job-creating potential defies forecasting and would be stunted by political guidance. Dour prophecies about the net job-reducing effects of new technologies have often been wrong.

Yet the new technologies are so different in kind from the labor-saving developments of past phases of industrialization that the relevance of that history may be waning.

The central ingredient in the employment upheavals of modern times was mechanization of agriculture, which sent millions of rural families streaming to cities for jobs. Then, as mechanization proceeded in urban workplaces, prosperity confounded the doomsayers by fueling a boom in service industries. Net employment stayed high despite big ups and downs in specific industries.

That, say the high-tech advocates, is going to happen again, as the new

technologies take hold in the economy and produce a gusher of wealth.

Mr. Mitterrand does not doubt the job-producing power of technology; he is a strong supporter of research and development and their application to industry. His concern, as he put it, is "to make sure that technology will not destroy jobs at a faster rate than it can create them."

The basis of his concern is that the

new technological revolution shows signs of being qualitatively different, in that machine power not only continues to replace muscle power but also displaces mind power. The makers of the robot revolution stress that it will spare workers from dangerous and dirty jobs. But the robots are moving into acceptable jobs, too. From electronic "tellers" in banks to electronic checkouts in supermarkets,

the new people-displacing technologies are coming into the economy at a bewildering pace. Conventional theory holds that the electronics revolution is the modern version of the steam shovel replacing the hand shovel. Perhaps. But while robots make headway in industries with high unemployment, robotics engineers are already talking about robots building robots. Robots can produce outstanding automobiles. The one thing they can't do is buy them.

Cut Hours to Increase the Work Pie?

MINNEAPOLIS — When the Great Depression hit, an early proposal to fight unemployment was reducing the workweek and weekly pay so more workers could stay on the payroll. At President Hoover's urging, the president of Standard Oil of New Jersey went on a national tour to urge time reductions.

If a shrinking economic pie is sliced into more pieces, each will be smaller. If an expanding pie is sliced into more pieces, the slices may be the same size as before or larger. Economic pie tend to expand when cut into more pieces, because each piece represents a job for a worker who is producing, earning and spending.

When Paul Douglas, as an economist at the University of Chicago be-

fore he became Democratic senator from Illinois, studied the relationship between working hours and wages in America from 1890 to 1926, he found an inverse correlation between the length of the workweek and real wages. Within particular industries, wages tended to rise faster in periods when hours were cut. This conclusion contradicts the consensus of contemporary economists that there is a trade-off between hours and earnings.

In the 20th century the average workweek in the United States declined most rapidly during the early years of the Depression and in the periods from 1916 to 1920 and from 1943 to 1949. After both world wars, periods of sustained economic growth followed initial brief recessions. In

contrast, after the decision was made in the early 1960s not to reduce the workweek so that the economic pie would grow larger, the U.S. economy eventually slid into a period of protracted stagnation and decay.

If it were true that cuts in the workweek stifle economic growth, why weren't the Roaring '20s stifled by the unprecedented reductions in hours after World War I? Why didn't the reductions of the '40s make it impossible to experience the prosperity of the early '50s power years? Why didn't Japan's shift, from a six-day week to a five-day week during the late '60s and early '70s strangle its economy and cripple its capacity to compete in world markets?

— William McGaughey Jr.

LETTERS TO THE EDITOR

Standards of Living

Regarding "On Standards of Living" (H/T, July 13): The editorial seems to have overlooked some major demographic trends of the last decade which bear upon the question of living standards.

First, the number of women in the work force has dramatically increased, which means that the work force as a percentage of the total population has also increased. If per capita living standards have stayed relatively constant since 1970 although more people are working, real wages per worker have necessarily fallen.

In many families this loss has been more than compensated for by the additional source of income, but families in which both spouses were already working have generally suffered a decline in living standard. Such families are primarily found in the lower and lower-middle class, where lower living standards are presumably less easily accommodated.

Second, there is an increase in housing units at twice the rate of increase of the population, the number of persons per household has decreased sharply. A significant portion of this additional housing has been occupied by unmarried or divorced singles, a trend that is of little consolation to those who still suffer from inadequate living space since it pushes demand for housing up at a rate faster than the increase in population alone requires.

Thus, while I am inclined to agree with The Washington Post that Ronald Reagan's "false diagnosis" of America's economic problems may only serve to exacerbate them, I dis-

agree that the strength of real per capita income over the last 10 years indicates the absence of a "structural economic decline." Those whose living standards have stayed steady or risen are generally working more, and many of those who don't or can't work more have experienced a loss of purchasing power.

To conclude that "on the whole" economic well-being is as high as it was a decade ago is like describing the fellow whose head is in the oven and whose feet are in the freezer as "comfortable on the average."

Whether the inevitable result of a general decline in productivity and real wages is more people working and a greater disparity in living standards between different segments of the population is a difficult question, but one which needs to be addressed. It will not be for so long as a cursory use of statistics results in the obscuring of significant social trends.

RICHARD HUSZAGH, Paris.

Gobbledygook

Mr. McFarlane (Letters, June 22) has seized the wrong end of the cane. What he does not realize is that the gobbledygook he so rightly despises is deliberately interpreted by those whose words he interprets at conferences. As a technical translator, I venture to remind him that no politician worth his salt should be incapable of talking sincerely and convincingly for at least 10 minutes without saying anything at all.

STUART de BERNES, Lamoignon, France.

Rabies in Europe

Walter Sullivan is mistaken in stating in "Swiss Will Extend Use of Live Rabies Vaccine" (H/T, July 9) that rabies vanished from Europe in the last century. It was still rampant in Portugal in 1925. The government paid the expenses for people from all over the country to come for preventive treatment at the Pasteur Institute in Lisbon. I write from personal experience, as my pet dog bit me on the lip in April that year and the postmortem proved him rabid. I had to have the full treatment of 30 daily shots.

Later it became compulsory for dogs to be inoculated annually before a license was granted, and this measure may have contributed to the eventual disappearance of rabies in Portugal. I know of no recent cases.

CICELY WRIGHT, Cascais, Portugal.

The British Open

Regarding "Wages and Nicklaus Favorites in British Open" (H/T, July 15): Your pre-tourney story says the United States "has dominated this event since World War II."

Not exactly. Bobby Locke of South Africa won the prestigious tournament four times between 1949 and 1957. Peter Thompson of Australia did even better with five titles between 1954 and 1965.

Americans have done well since Tony Jacklin won it in 1969, with interruptions from Gary Player and Seve Ballesteros. But dominated, no.

JOHN RAWSON, Montfort-en-Chalosse, France.



كردان التوکل

ARTS / LEISURE

An Electric 'Lear' With a Few Short Circuits

By Sheridan Morley

LONDON — What separates the other young lions who have taken over from the Terry Nunn-Trevor Hands generation at Stratford this summer is an intriguing old-fashioned belief that the audience, rather than the playwright or the cast, must come first. His new "King Lear" is like his Manchester "Malin" and "Fanny" a constant feast for the eye and the ear, a feast in which the only forbidden fruit would appear to be boredom.

From the moment the lights go up to reveal Cordelia and Lear's Fool playfully joined around the neck by a noose, it is clear that we are in for no cerebral, academic reworking of the text. Instead, we are to be in the midst of a period of the kind of thing Willie Collins might have dreamed up on a good day as "The Man in White." A lot of outer darkness surrounds a centrally lit area within which Michael Gambon — who must be the only actor in recent times ever to have started out as

King Lear and ended up resembling Uncle Vanya in pajamas — gives away his kingdom and then lives to regret it.

There are some stunning performances, not least Anthony Sher as a Fool pitched somewhere in the gap between George Robey and Groucho — a genuinely manic music-hall entertainer, forever awaiting the applause that even Lear is at the last unable to deliver, and accidentally sent to meet his maker in a moment of confusion by the king himself, thereby making nonsense of the later "my poor fool is hang'd" line.

But this, according to Noble, is a play of considerable confusion in which a lot of things happen that somehow weren't meant to, at least not in this order. One of his most brilliant notions is that the Fool alone sees all this coming, sees in moments of terrible lucidity the gathering chaos of the kingdom and then retreats into yet another end-of-the-pier routine rather than confront his beloved Lear with the full realization of what he has done to their chances of survival as a double act.

Other strong performances include Sara Kestelman as Goneril and Jenny Agutter as Regan, the latter warning over her evil lady routine from "Arden of Feversham" still in the repertoire at Stratford's Other Place. But if at the last I am unable to share the utter ecstasy into which this production has thrown most of my critical colleagues, it is because a Lear who turns up on the blasted heath like a Beckett tramp awaiting Godot, a Lear prepared to hand over the first half to his Fool and the second half to Gloucester, a Lear who ends up in the aforementioned pajamas, is ultimately a Lear whose usually heartrending desire to laugh at gilded butterflies seems just one more act of minor eccentricity.

The closing impression of Noble's Lear, dominated throughout by light bulbs on long flexes, is that a convention of period electricians has somehow managed to fuse the world. It's impressive, but it still shorts out a lot.

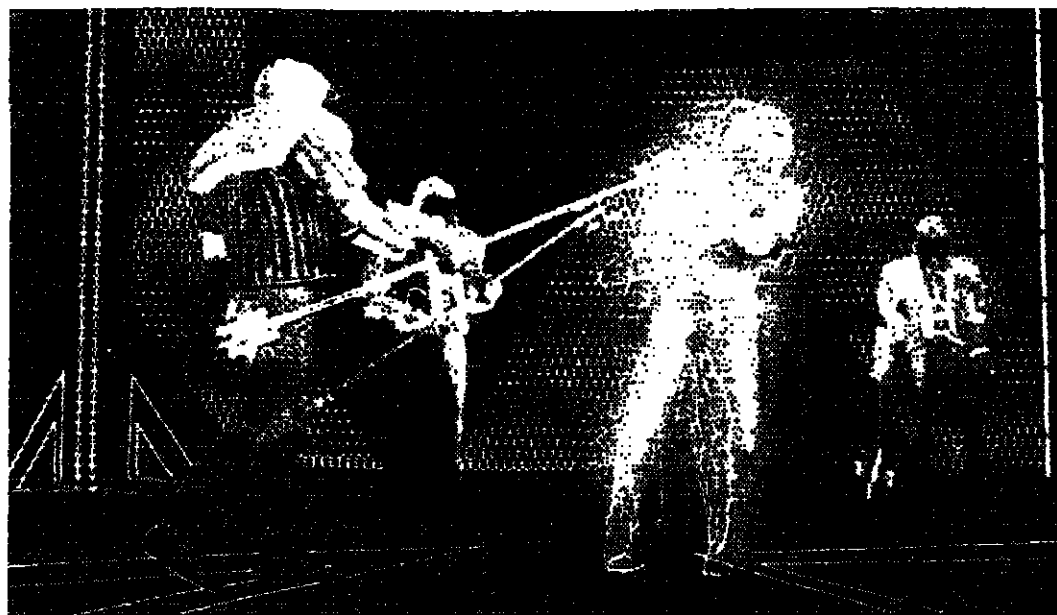
At Chichester, a brave attempt to

get back to the golden days of "Royal Hunt of the Sun" and "Vivat Regina" by commissioning a large-scale, wide-stage historical epic has gone sadly adrift in "Cavell," largely because the actor appears not to have found a playwright. Keith Baxter is an actor of considerable achievement, but as a dramatist he inclines to the worst of School Radio circa 1950.

To have a narrator (Nigel Stock playing the common-man journalist) say that "1907 was a damn good year — Kipling won the Nobel Prize and Miss Cavell arrived at the clinic" does not inspire confidence, and the evening gets no better when he has to compress an already too-rapid history of the prewar years into "other things were happening in Germany — funny man, the Kaiser — then the Titanic went down, Scott died at the pole, it was a war no one wanted."

In the midst of this shredded corn stands Joan Plowright, predictably tough and imposing as the nurse doomed to a German firing squad but, alas, given no part

to play. She manages heroically not to laugh when a subordinate runs in with the news that "there's been a dreadful battle at Mons," and does a touching moment trying to explain her apparently lesbian love life to an understanding abashed Dulcie Gray (as Mrs. Cavell), but beyond that a great actress has been left stranded by an extraordinary failure on the part of Patrick Garland, a generally admirable director, to send out after the first rehearsal for somebody who could write a play rather than a pageant. Patriotism, said Cavell, is not enough; nor, I fear, is "Cavell."



Kevin Flynn (Jeff Bridges) being bullied by video game guards in "Tron."

'Tron': A Beautiful but Dumb Film

By Janet Maslin
New York Times Service

NEW YORK — "Tron" means to be a glorious, puerile movie, the full-fledged screen embodiment of a video game. It means to go to the heart of video-gamesmanship, and its premise is very promising. What if those tiny Space Invaders and Pac-Men were real creatures, miniature gladiators sent to do battle for the amusement of their captors? What if a movie could capture the very spirit of a computer toy and make it last not just for a few coins' worth of time, but indefinitely?

The lavish Walt Disney production "Tron" tries prodigiously to do this, but its technological wizardry isn't accompanied by any of the old-fashioned virtues — plot, drama, clarity, emotion — for which other Disney movies, or other films of any kind, are best remembered. It is beautiful — spectacularly so, at times — but dumb.

"Tron" was written and directed by Steven Lisberger, who works in a passionate but choppy style, sometimes omitting the basics that ought to hold a scene together. It is a hard film to follow, because Lisberger's script is an odd blend of technical terminology and childish slang.

Kevin Flynn (Jeff Bridges) is a smart-alecky scientist who in his spare time has developed the program for Space Paranoids, a computer game that makes money hand over fist. Kevin's employer, Ed

Dillinger (David Warner), has appropriated the game. When Flynn tries to break into the company computer to find evidence of Dillinger's theft, the computer decides to show him who's boss. It transforms him into a tiny prisoner inside its circuitry. The actors from the film's real-world narrative — Bridges, Warner, Bruce Boxleitner, Cindy Morgan and Bernard Hughes — all appear as altered versions of themselves in the computer world.

Beyond this, the film gets hard to explain. As it follows Flynn's efforts to flee this electronic maze it becomes a series of breathless chases. Flynn and a few other would-be escapees whiz across a landscape of grids and mazes, accompanied by a sound track filled with deafening crashes.

Following the example of "Star Wars," Lisberger tries to make his heroes boyishly courageous, accompanying each act of derring-do with a joke or a shrug, and transposing old-fashioned adventure-movie dialogue into a futuristic tale. This looked easy and natural when George Lucas did it, but not here. And there are almost no scenes that don't depend heavily on special effects added after the acting was done. How can the performers keep from seeming as if they're acting in a void?

Anyone not discouraged by these drawbacks will find "Tron" a wonder to behold. Its visual effects are wonderfully new. They are also numbing after a while. They're loud, bright and empty, and they're all this movie has to offer.

Covering Up What a Bathing Suit Reveals

By Brigid Nemy

NEW YORK — I have never been fond of my thighs, and about 10 years ago the vague dissatisfaction turned to positive hate. Every time I looked at them, which was as infrequently as possible, they reproached me.

"Why don't you lie on the floor and kick?" they would say. "Or get on a machine and cycle or run or jump."

Once in a while, when conscience twinged more than usual, I'd get on the floor and do a few kick-ups. But it would ruin my day. If I decided to exercise again, the morning, I'd lie in bed not wanting to get up. If I postponed the kicking till evening, the day was ruined by thinking about what was ahead.

It was obvious that the only thing to do was to keep my thighs to myself and not inflict them on the world. This wasn't ideal for someone who loved swimming. For a couple of years I was beached, fully clothed, usually sporting an enormous hat to support my declaration that I didn't like the sun.

Then, one day, inspiration struck. I would wear tight, colorful swimsuits. From then on, I can say with all due modesty, I was the sensation of every beach and pool I visited. Heads would swirl when I dove into sight in my yellow swimsuit with purple thighs or red suit with fuchsia thighs. My husband was so mortified at the minor furor that he disclaimed relationship and

refused to appear with me. He swam before, after or some distance away, which meant that my grand entrance was always made alone — but no matter.

I was, in short, self-conscious about appearing in a bathing suit — a situation that, I have discovered, is not unique.

Tanned Flab

Benita Feurey is also self-conscious about her thighs — not the back or the sides, just the front. "There's flab there," she said. "I can't wait to get tanned because my theory is that dark flab looks better."

Feurey, who produces the New York edition of Good Housekeeping magazine, said that she was so conscious of her flab that she checked out every other woman on the beach, hoping they would have some.

Thighs are also the bête noire of the actress Marilyn Sokol, especially when she's uncovered on the beach. "They look like cottage cheese," she lamented. "Depending on gravity, they sometimes have a life of their own."

Patricia Trainor, 5 feet 10½ inches tall and slim, is generally considered to have a splendid figure. That matters not a whit to her when she's in a swimsuit. She's fine in the front, she agrees, but what she wonders is the impression she makes as she walks away. "It's the finale, the walkaway, I'm most aware of," said Trainor, who is in public relations. What exactly is wrong with her finale? "I won't go into it further," she replied.

Edward Hayes, a criminal lawyer who is 6 feet tall, says he was once the skinniest Irish kid in Queens. "When I'm in a swimsuit I still see myself as a skinny, 108-pound, ugly kid with acne," he said. Hayes, who is 166 pounds of muscle, cuts a dandy figure at the beach but he's convinced that no one is looking at his body. "I'm sure they're looking at my bald spot. When my hair gets wet you can see it."

The artist Lowell Nesbitt, another tall, slim man, looks as though he doesn't have a worry in the world when he's in a bathing suit, but still there's a little niggle at the back of his mind. Is his waistline up to par? "I wonder whether or not I look as though I have a spare tire," he said.

Night Swimmer

Most people who know Lorna de Wangen, vice president of Poiray Jewelers, would think that she and bathing suits had a natural affinity. Not so, she said. "I've spent the greatest part of my life covered up from knees to neck. I think I'm hippy. I hate bathing suits. I'd rather be bundled up in a ski outfit."

No matter how slim the actress Arlene Dahl is, she always wishes she had lost five pounds the week before she puts on her swimsuit. And because she has the type of skin that burns rather than tans, she is not too crazy about showing herself among the tanned and terrific. "I look like a white feather in the middle of an Indian dance,"

she said. "And when you're all white, five pounds look like 10. I prefer to swim at night in the dark."

A man who did not wish his name to be used said he hated to put on swim trunks because of his bony ankles. "Not only that," he added, "my second toes curve the wrong way and I don't have a decent arch. From the ankles down I'm a mess."

When Gail Levenstein, a vice president of Bill Blass, puts on a swimsuit, she hopes for a still day. "My latest fear is that if the wind blows too hard, what about my upper arms?" she said. "They'll shake and flutter like flags. When bathing suits have sleeves I'll be out all the time."

Photography Scene: Highlights at Arles

Archaeology of a War, Joe Heidecker, Salle Henri Comte, to Aug. 21.

Heidecker's photographs, taken during World War II on most of the war fronts from the Atlantic to the Urals, are an extraordinarily sensitive testimony of suffering and destruction by a reluctant soldier. Heidecker emigrated from Germany with his parents to Vienna in 1933, but was drafted into Hitler's army in 1938 after the Anschluss. His darkroom work for the propaganda section took him all over occupied Europe and enabled him to circumvent censorship. He spent most of his military service in Warsaw. His wife helped him hide his negatives of life in the ghetto before its destruction. Heidecker said that he "did not have the courage to go through it all" again after the war, and he waited more than 35 years before printing his pictures. Other exhibitions in the International Photography Festival at Arles include:

Willi Zielke, Musée Réattu, to Sept. 30.

A classic German modernist of the Bauhaus school, Zielke made photographs by placing objects directly on photographic paper and exposing them to light, as well as picturing industrial objects, composing collages and photographing nudes. His composition of glass plates, "Fidernatronkristalle," 1929, and his "Nude With Cactus," 1933, are among the high points of this exhibition.

Alexei Brodovitch et Compagnie, Brézel, Expo Kane, Perm., to Sept. 30.

The exhibition combines a few clandestine photographs by Brodovitch from his sojourn in a psychiatric ward and pictures of Brodovitch at work for Harper's Bazaar, along with the work of other photographers, painters and designers that he supervised as art director of Harper's in the 1940s and '50s. Irving Penn says in his presentation to this exhibition: "All photographers... whether they know it or not... are students of Brodovitch."

In a Frame of Journey, Henri Cartier-Bresson, Robert Frank, William Klein, Max Pann, Bernard Plossu, Hotel de Ville, to Aug. 21.

Among these snapshots by photographers traveling abroad and taking pictures that most tourists don't see because they are too busy snapping "the sights," especially remarkable are those taken by Plossu during a trip to Mexico from California. The main, unobtrusive feature is the car in which he travels.

21 European Photographers in 1982, Salle des Fêtes, to Aug. 21.

Photography in Quebec, Ancienne Poste, to Aug. 21.

MILAN

Mario Samarughi, Galleria Del Milione, via Bigli 21, to Sept. 30. Samarughi picks up pieces of garbage off the street and makes shiny color photocopies of them or takes color-rich pictures of decaying walls. His archaeology of consumerism turns an ordinary pink plastic bag into an eye-catching design.

PARIS

John Pihl, Galerie Agathe Gailard, 3 rue du Pont Louis-Philippe, to July 31.

Pihl places colored objects in the foreground of urban and country landscapes and photographs them with differing perspectives. The results, sometimes in sequences, appear dry at first but slowly sink in with a certain kind of humor.

—C.G. CUPIC

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INSIGHTS

Islamic, Jewish Fundamentalism Changing Course of Arab History

By Jim Hoagland

Washington Post Service

WASHINGTON — The invasions of Iraq by Iran and of Lebanon by Israel have brought the Arab world to the brink of shattering historical change. They threaten not only individual Arab regimes and the Palestinian guerrillas but also the survival of the modern Arab nationalism fashioned three decades ago by Egypt's Gamal Abdel Nasser.

The result is still far from certain. Iraqi troops and civilians fighting on their own territory could repel the Persian invaders and rescue the Arab nationalist regime of President Saddam Hussein in Baghdad. The Palestinian guerrillas trapped in Beirut could still emerge alive to reclaim the role granted them as the human weather vane of Arab nationalism.

But the twin challenges of Islamic and Jewish fundamentalism unleashed by Ayatollah Ruhollah Khomeini of Iran and Prime Minister Menachem Begin of Israel have confronted the Western-oriented political establishments of the Arab world, dominated by the Sunni, or traditional, branch of Islam, with a potential disaster that the United States appears to be powerless to help them escape.

Iran's continuing victories against the Iraqi Army have consolidated Ayatollah Khomeini's once-shaky religious regime, led by believers in the revolutionary Shiite branch of Islam, and established what an European diplomat now calls "the first true revolution in Islam."

Through this war, Iranians are becoming to Moslems what the Russians became to Communists through their revolution and victories over the White Army after 1917.

If Ayatollah Khomeini succeeds in his vow to topple Mr. Hussein and establish a government in Baghdad sympathetic to his Islamic revolution, the border between the Arab world and the Islamic but non-Arab East would effectively disappear. The revolutionary impulses of Shiite Islam would sweep again down the western shore of the Gulf toward the Mediterranean Sea.

Loss of a Decade

Even before the Iranian thrust across the Shatt-al-Arab estuary, Israel's bold pursuit of the Palestine Liberation Organization's guerrillas all the way into Beirut had broken the political clock of the Middle East as it had been thought to be ticking since the 1973 Arab-Israeli war and the beginning of the energy crisis. Suddenly the Arabs were yanked back at least a decade, seemingly mired again in the hopelessness and humiliation that President Anwar Sadat of Egypt and King Faisal of Saudi Arabia had sought to erase with the October war against Israel and the use of oil as a weapon against the West.

The Camp David accords and the oil glut have kept Egypt's military force and the Saudis' petroleum sword sheathed during this crisis. The conservative and moderate regimes friendly to Washington were reduced again to warning of the threats that terrorism from embittered and radicalized Palestinians would pose to their survival and to American interests in the region.

For Mr. Begin, the elimination of the PLO would bring him closer to a central goal of the militant strain of Zionism he has always cham-

pioned — a Jewish state occupying all of mandated Palestine, including the territory known to the Arabs as the West Bank of Jordan and to Mr. Begin as Judea and Samaria. The invasion has turned Camp David into little more than a hindrance for Mr. Begin and his followers, who want to annex the territory, a hindrance that they will probably find a way to dispose of in the near future.

The replacement of the secular Baathist regime in Baghdad by an Islamic revolutionary group beholden to Ayatollah Khomeini would also be enormously unsettling for the rulers of Saudi Arabia, Kuwait, Jordan, the United Arab Emirates and Egypt, all of whom are Sunni Moslems and whose survival, the United States has repeatedly suggested, is important to American interests. At the same moment in history, the Sunni Moslems who head the PLO and who define its nationalist aims face extinction by the Israeli Army.

Deep-Seated Differences

Complex historical, cultural and doctrinal differences separate the Sunnis — the followers of the *Sunna*, or "beaten path," of orthodox Islam — and the Shiites. These differences go back to the seventh century and the struggles that erupted after the Islamic prophet Mohammed's death. They are often simplified as centering on the Shiite belief that the leadership of their society passes through a line of succession of imams that started with Mohammed's grandson Ali, and not through the historic caliphs who won the power struggle in Mecca and set out their interpretations of the prophet's teachings.

This has produced a profound difference today. In most Sunni-ruled countries, religious activities are regulated by the state and often treated as an appendage of the bureaucracy or political system. In Shiite-ruled Iran, the Imam Khomeini's authority is supreme, and the state exists to serve Islam.

"Sunni Islam is the doctrine of power and achievement. Shia Islam is the doctrine of opposition," the British writer Edward Mortimer records in his forthcoming book, "Faith and Power: The Politics of Islam." "The starting point of Shiism is defeat: the defeat of Ali and his house by the Omayyads (the original governors of Mecca).... Central to Shiism's appeal, especially for the poor and dispossessed, is the theme of suffering and martyrdom — a theme reminiscent at times of Christianity."

"Khomeini has shown that the Shiite religious movement is the only successful mobilizer of masses in the region today," said a Sunni Arab politician. "The theme of justice for the oppressed, for the poor, is a powerful one for those who have been left out as the Arab elites manipulated the West for their gain by emphasizing abroad how secular their political parties were and how modern their states were, while behaving at home as if they were totally committed to Islam."

"Iran as a nationalist state under the shah was much easier for the Arabs to deal with even though it was stronger militarily than he continued. The shah [Mohammed Reza Pahlavi] fought with [Israel's] Saddam for a while [in 1974] and then he made a deal to stop fighting. That dispute was over something tangible, and could be settled on national

grounds. Khomeini is challenging everyone on religious grounds, and there can be no compromise."

The Sunni elites interested in power and modernization have been the natural avenues for Western intrusion into the region. Much of the ambivalence — schizophrenia to critics — that has made these elites vulnerable to Islamic challenge results from that interaction with the West, and particularly with a United States that sought over the past decade to build up two non-Arab states, Israel and the shah's Iran, into the region's superpowers.

Stirrings of Nationalism

Occupied for centuries by the Ottomans and for much shorter periods by European colonialists, the Arabs of Egypt and the Levant began to reassert their common culture, language and heritage in terms of nationalism toward the end of the 19th century.

After World War I, a deep sense of national identity sprang up among the Arabs. They believed that Britain had promised that Palestine and much of Lebanon would be part of the new independent Arab nation as a reward for their help against the Germans in the war. Instead, they saw Britain take over Palestine and promise Jewish emigrants from Europe a "homeland" there, and then they saw France take over Lebanon.

The defeat of the Arab armies in 1948 by Israel triggered the rise of President Nasser and the Free Officer movement in Egypt and the subsequent efforts to found a new, stronger and ideologically motivated Arab nation. With hesitation and continuing uncertainty, U.S. Middle East policy-makers came to support Arab nationalism and the concept of strong Arab state structures as useful tools in combating Communist influence in the region. Mr. Nasser and the officers and coup-makers who came to power elsewhere in the region did move quickly to crush local Communist parties.

The United States was also strongly supporting the shah's efforts to secularize and modernize Iran, whose population of 36 million is largely Shiite. Displaying a penchant for martyrdom that staggered the shah's Western supporters and broke the monarch's will, the Shiite mullahs led the street demonstrations that drove the shah into exile in January, 1979, and brought Ayatollah Khomeini to power the following month.

Large Shiite populations also live in Iraq, where they make up about 55 percent of the 13 million population, and in Lebanon, where they are perhaps one-third of the 3 million inhabitants. For different reasons, the Shiites in Iraq and in Lebanon may now hold the key to the shape of Arab nationalism in their countries.

In Iraq, the ruthless Baath nationalists, who seized power in 1968, were able to push secularization of the state and party beyond Mr. Nasser's most ambitious dream for Egypt. But despite major economic advances for the population as a whole, political, military and economic power remained largely in the hands of the Sunni Arab minority. President Hussein's periodic crackdowns on Shiite demonstrators and clergy, and especially the torture and execution in April, 1980, of Sayed Baqir Sadr, a Shiite ayatollah who supported the ideas of



The country is Lebanon but the signs are in Hebrew. These arrows, near Tyre, were put up by the invading Israeli Army.

Ayatollah Khomeini on Islamic government, have made the Shiite majority fertile ground for the Iranian message of religious revolt.

"Khomeini will not install a government in Iraq if he wins," predicts an Arab politician in touch with the Iranian government. "That is not his style. He will be the religious guide, not a ruler."

But Sayed Baqir Mohsein al-Hakim, an Iraqi Shiite religious leader who escaped to Tehran two years ago, undoubtedly would have great influence in a Khomeini-backed government. The underground Islamic Daawa (The Call to Islam) Party, which has practiced sabotage inside Iraq and kept its leadership secret, is another pole of Shiite opposition to Mr. Hussein.

The increasingly strong Iranian showing against the invasion that Iraq launched in September, 1980, has pushed the once radical Baathists to join with conservative Sunni leaders such as King Hussein of Jordan, King Fahd of Saudi Arabia and the Kuwaiti ruling family, all of whom were only recently high on the Baathists' revolutionary "hit list."

Despite urgent appeals by these leaders to

Washington, the Reagan administration reaffirmed its neutrality in the war as Iranian troops crossed into Iraqi territory. This appears to have fueled new suspicion among Sunni leaders that the United States is keeping its options open to switch to a more friendly post-Khomeini Iran as a bulwark against Soviet expansionism if conditions change.

In Beirut, Sunni leaders had made their own deal with the Maronite Christians, who effectively excluded Lebanon's Shiites from real power for four decades. They are now very visibly bargaining with the U.S. mediator, Philip C. Habib, in an effort to save West Beirut and Yasser Arafat's el-Fatah guerrilla organization from destruction by the Israeli. Fatah, which has come close to saying it will agree to accept a West Bank-Gaza state and make peace with a pre-1967 Israel in return, is seen by most Arab regimes as a pragmatic Sunni center for the PLO.

The Maronite Christian militia, which the Israelis evidently hope to install as the dominant political power in Lebanon after they withdraw, will need the help of the increasingly strong Shiite militia to keep the lid on. Aya-

tollah Khomeini's strong ties to the Lebanese Shiites could be the decisive factor when the Shiites decide how to play their cards.

The enormous dangers the Arab governing elites suddenly face have provided a reminder, if one were needed, of the cyclical nature of Arab politics. Riding high after the 1973 war, and the explosion in petroleum revenues, few Arabs could imagine that their nations would ever again taste the kind of bitterness and defeat they had known in the 1960s. Today, it is easy to conclude that apocalypse is at the doorstep.

Beyond the momentary ascendancy of the Shiite movement and the dilemma the Arabs now confront is almost certainly the beginning of a new cycle, with a new group of nationalists — perhaps Sunni, perhaps Shiite, perhaps both — already gathering in an army barracks or a political club to begin the long and difficult process of redefining and mapping again the force of Arab nationalism that will rise to haunt the political heirs of Mr. Begin and Ayatollah Khomeini.

(Jim Hoagland is The Washington Post's assistant managing editor for foreign news.)

Middle American City's Growing Distress Casts Doubt on Reagan Policies

This account was reported and written by Haynes Johnson, Dan Balz, Robert G. Kaiser and Keith B. Richburg, with polling by Barry Sussman.

Washington Post Service

ST. JOSEPH, Mo. — Farmers come to Hugh St. Miner in increasing numbers these days. Even in the best of times conducting business is difficult for Mr. Miner and his clients. Now it has become especially painful.

"Each one that sits there is doing something that's completely contrary to his nature," Mr. Miner says. "And I went to a family friend of ours who is a psychiatrist to see if there would be some manner of my approach that would alleviate the situation somewhat, to put them at ease so we could at least get the job of getting information from them more readily and be able to proceed."

The business is bankruptcy. The farmers who walk into Mr. Miner's law office are part of a disturbing new phenomenon here in this northwest corner of Missouri. They are part of America's new poor, people forced by circumstances beyond their control to give up their homes and land — or stand in unemployment lines or wait for a handout of surplus government cheese, as others here are doing. Their ranks are growing. So are their anxieties. That, too, is alien to their nature. They never thought they would find themselves in such straits.

"They literally have no other place to go than to contemplate suicide on the one hand or bankruptcy on the other," Mr. Miner said. "The economic vise has caught them. They have their farmland mortgaged for more than it's worth in a descending market. Interest has compounded, making their costs astronomical. They have not been able to recuperate and make any profit from the sale of their crops. It's not even been a break-even process for many of them. Plus they've had a succession of disasters, either drought or extra wetness or something of that kind. In some instances they've had the place to which they sold their grain go bankrupt. Many of them, not all, are in real hard times."

"That is not to suggest that St. Joseph resembles a desolate Great Depression scene of shuttered factories, soup lines and executives selling apples on the corner."

"I see people out playing ball," said Larry Koch, a city councilman. "Like last night, every team had a case of beer, all of them are driving cars, their kids are well fed. You go out and eat dinner, and every place is doing a thriving business. The better stores are doing a good business. It's not visible to the people I see."

Famine is not sweeping across the prairies. Grass is not growing on Main Street. St. Joseph's people are friendly, its church congregations exude a sense of well-being and confidence, and its life proceeds with what appear to be normal rhythms.

Hard Times

But hard times, the worst since the Great Depression of the 1930s, have descended on this quiet city of 76,000 in the center of the American agribusiness area. Even if some have not yet noticed, practically the whole town has been affected. St. Joseph is in trouble, and the trouble could soon be much worse.

The recession strikes with special severity at a time when many of the community's insti-

tutions — schools, police, fire, library, and all other city services and voluntary agencies — face reduced budgets and the prospect of new layoffs.

St. Joseph is not some bellwether city that enables pollsters to divine the national mood. Its demographics do not match the national averages perfectly. It is an old and conservative city, with an older-than-average population. Only a smattering of blacks and Hispanics live within its 44 square miles of rolling hills, parkland and single-family dwellings. But conditions here mirror those elsewhere, and it is fair to assume that St. Joseph is no isolated case. If President Reagan's programs are going to work, they should be working in St. Joseph.

Many of the premises upon which the administration's policies rest can be tested here: the ability and willingness of local communities to provide essential services for those really in need, the way in which voluntarism can help fill the gap between government and private citizens, the relationship between Washington and state and local officials, and the even more complicated one between president and people.

This St. Joseph story is the product of a week of interviewing here by four reporters and a poll of 609 residents conducted before our arrival. What we found raises doubts about some of the assumptions behind the Reagan revolution and offers fresh evidence of changing American attitudes at a difficult moment for the country.

People are hurting here, and they are the welfare queens of political lore and rhetoric. Despite great efforts, voluntarism is not able to meet ever-growing needs. As one official says, "There's only so much you can do with the loaves and fishes." Local government funds find paying the price of its past failures to raise adequate revenues and facing demands to do more than it can.

Neither President Reagan nor members of Congress can take comfort in the attitudes of the citizens of St. Joseph.

Political Resentment

We found Mr. Reagan to be in a precarious political position. Even his staunchest supporters question his inflexibility on tax cuts and military increases, for instance. There exists a clear, strong perception of — and resentment about — his favoring the wealthy.

As for Congress, the almost universal opinion is one of contempt. Again and again people referred scornfully to the \$75-a-day tax write-off Congress gave itself to defray Washington living expenses.

Many in St. Joseph say the politicians in Washington do not care about them or understand the harsh situation here.

Through all our conversations ran a recurring theme: anxiety. As Steve Nikes, a city councilman, expressed it, "We've got to turn around this feeling that we're in a mess dive."

People here tend to be apprehensive about the future. They talk nervously about a new depression, or a new war to prevent it. Above all there is a sense of time running out. Economic conditions must improve in the next six or nine months, they say, the alternatives are too grim to consider.

This anxiety is uncharacteristic of this area and these people. They have deep roots in this region, and long memories. To understand why today's problems cut so sharply through



Statue commemorates frontier mail carriers whose routes originated in St. Joseph, Mo.

the fabric of this community some history is in order.

When Robert Ford shot "Thomas Howard" in a frame house here a century ago this spring, putting Jesse James in his grave, a local booster had a bright idea: Let the town slogan be "St. Joseph, the city that started the Pony Express and stopped Jesse James."

It did not take, but pride in past achievement hangs heavy in St. Joseph. So does the local booster spirit of old, and with good reason. Much history was made here along the Missouri River, where the first covered-wagon trains set out on the overland route to the Pacific. Much wealth was amassed, as the great stone mansions here indicate.

But unemployment this spring has been running at the highest level in the state. The housing industry has come to a virtual standstill. Merchants are struggling to stay in business. Payrolls have been slashed. Companies have instituted shorter work weeks.

Last winter, Whitaker Cable Corp. closed its doors (200 jobs lost). On March 29, the local newspaper offered free job-wanted ads to unemployed residents. The response took up a full page. In June, Wire Rope Corp. of America instituted a 32-hour week for 450 employees and will do the same for 400 more. The building trades have no hope for relief before next spring, and in the last 18 months the International Brotherhood of Teamsters local union has lost nearly 40 percent of its membership.

"You want to know about St. Joe today?" asked David Bradley, proprietor of the city's morning and evening papers, The Gazette and The News-Press. "Our unemployment's been running between 12.5 and 9.5 percent. It's tough on the street. It's tough on small merchants. There's nobody on Main Street making a quarter anywhere." When one firm posted 70

job openings recently, more than 1,000 people showed up to apply.

To older residents, that long line stretching around the block recalled scenes of the soup-kitchen crowds that began to form each afternoon at 4 in St. Joseph in the depths of the Great Depression. Tales of bankruptcies and foreclosures circulate throughout town. Most troubling of all for the future, as Hugh Miner's clients know all too well, is that for the first time in many people's lifetimes the value of farmland has been declining. It has dropped as much as 30 percent in the last year.

As one businessman put it, agriculture is the "life's blood" of the city, and its problems now ripple through the local economy. Trouble there means trouble everywhere.

In this report, we do not presume to paint any definitive portrait of this community. Nor is St. Joseph the perfect prototype of Everywhere, U.S.A. But long ago, in the 1890s, a local historian, in words that are relevant today, wrote of this city: "It is to be remembered that in cities like St. Joseph, the real American life can be found."

A final observation. Our St. Joseph story deals, of necessity, with more problems than successes. Hugh Miner had a useful comment about that, too. When asked how bad conditions are, he thought a moment and said:

"I'm probably not in a good position to tell because I'm only dealing with the failures. Somewhere out there there's a tremendous amount that's working fine, like a Swiss watch."

That is undoubtedly true. But the evidence from here suggests a deeper problem. All the parts of that intricate mechanism are not working smoothly, and there is a real danger of a more serious breakdown.

Poland and Credit Pinch Continue to Wear Down East Germany's Economy

By John Tagliabue

New York Times Service

DRESDEN, East Germany — The woman sharing the compartment on the jolting train to Dresden said she would vacation in Hungary this summer. An East German, she planned to pay her way on holiday by selling in Hungary a pair of Salamander shoes and a Carl Zeiss camera lens, both made in West Germany.

"The barter is admittedly bothersome," she acknowledged, "but I'm lucky to be going at all."

Poland is off limits this year, she said, and in Hungary and Czechoslovakia prices for things such as hotels, meals and gasoline have skyrocketed. Her friends are staying instead on East Germany's windy Baltic shore or in the nearby mountains.

These altered summer plans are a small reflection of the troubled state of Eastern Europe's economies this year. In relatively prosperous East Germany, which has one of the highest standards of living in Eastern Europe, lines at stores usually mean a rush-hour crowd or poky salesman rather than a shortage of goods.

But the economic collapse of Poland, which traditionally buys East German machines in exchange for coal and other raw materials, and inexorable increases in the cost of credit and goods from the West are clouding even East Germany's economy.

Although there are few acute shortages, the country seems to be bracing for the worst. On factory walls in several cities, charts showing savings in energy and raw materials have begun to replace the omnipresent graphs listing ambitious production goals.

The crucial need for conservation received wide coverage by news organizations when it became the major economic topic at the Communist Party's Central Committee meeting last month. Those deliberations were largely a spillover from equally well-publicized discussions at a meeting earlier this year in Budapest of the Council for Mutual Economic Assistance, or Comecon, Eastern Europe's equivalent of the European Economic Community.

There was broad coverage, too, when Günter Mittag, East Berlin's economics minister, told an assembly of mining officials last month that "our ability to react to changed conditions created by scarcer, more expensive raw materials will be a barometer of our ability to master our present and future problems."

Sharply curtailed deliveries of Polish hard coal to the chemical industry have been offset by expensive purchases in the West. Deliveries of Soviet oil, purchased at bargain prices, have been curtailed in order to permit increased Soviet shipments to Poland.

At the same time, prices of imported raw materials, everything from ores to leather purchased in Africa or South America, have increased dramatically.

Gains in Productivity

To ease the crunch, the East Germans joined in Budapest with their five East European Comecon partners to concentrate efforts in the present five-year plan, from 1981 to 1985, to raise productivity while cutting back the use of costly energy and scarce raw materials.

The East Germans say they have made admirable gains in the past. By their own account, they cut the energy and resources needed to produce \$400 worth of goods by 2.9 per-

cent a year in 1976 and 1977, the latest period for which figures were given. The ambitious goal of the latest five-year plan is an annual reduction of 6.1 percent.

To achieve this, high priority will go to investments in microcomputers to monitor industrial processes and reduce waste, and in the installation of robots — 45,000 of them in the five-year period in industries such as textiles, metals and metal foundries.

East Germany's economists acknowledge formidable obstacles. Much of the technology must be imported from the West, and there is an acute shortage of investment capital to pay for the technological push.

Special relations with West Germany assure the East Germans of some help with credits. By mid-1983, East Germany will be faced with repayment of about \$6 billion of principal amounts of debt.

Second-Highest Debt

Despite such advantages, East Germany amassed the Soviet bloc's second-highest debt in the 1970s — Poland's was highest — because of a grandiose program to import Western machinery to build competitive industries that would pay for themselves through exports to the West. By the end of 1981, East Germany's debt to the West totaled \$12.8 billion, compared with \$22.6 billion for Poland.

The plan was thwarted by a combination of the world recession, which consistently frustrated East Germany's export goals, and high international lending rates that raised the cost of servicing the debt via costly short-term credits. By mid-1983, East Germany will be faced with repayment of about \$6 billion of principal amounts of debt.

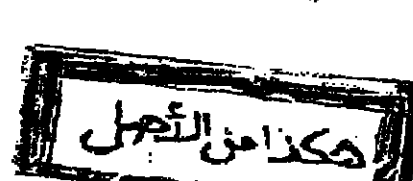
In Budapest, faced with reluctant Western lenders, the Comecon countries agreed on greater coordination efforts to maintain industrial growth targets. East Germany, for example, is to cooperate with Czechoslovakia and the Soviet Union in developing microprocessors for use in industrial processes.

Western analysts doubt that the Budapest proposals will help achieve the quantum technological leap that the East Europeans propose. Similar past efforts, they say, were largely futile because the East bloc countries reluctantly relinquished growth industries to their Comecon partners.

A more fundamental obstacle, they say, is the lack of incentives to reduce the consumption of energy or raw materials and the inability of companies in Communist economies to allow technology to replace labor.

Hungary has gone the furthest of the Eastern bloc countries in liberalizing its economy and introducing incentives. East Germany has taken tentative steps in recent months to boost the cost accountability of its companies. A far-reaching banking law, passed in March, enables banks to refuse financing for imports of materials if the importing companies cannot sufficiently demonstrate the potential export profitability of the products they plan to manufacture.

East German manufacturers have also learned to adapt to the demands of overseas markets, and some of this sensitivity has spilled over into domestic business, creating a greater responsiveness to the wishes of customers.



BUSINESS BRIEFS

AEG Says Banks Agree to Financing

FRANKFURT — AEG-Telefunken said Tuesday that its main creditor banks have agreed in principle to provide short-term finance for the company.

The government last week granted the floundering maker of electric and electronic goods 600 million Deutsche marks (\$244 million) in export credit guarantees, but Economics Minister Otto Lambsdorff made this aid conditional on parallel help from banks totaling about 275 million DM.

AEG said the 24 members of its bank consortium at a meeting Monday discussed conditions and details of the government credit guarantees. "AEG is confident that a few details which still need to be settled will be clarified in the next two days," the company said.

Chief of Rhône-Poulenc Resigns

PARIS — Jean Gandois resigned Tuesday as chief executive officer of Rhône-Poulenc, France's biggest chemical and textile group. No reason was given for the resignation, which was accepted by the Ministry of Industry.

Mr. Gandois, 54, had headed Rhône-Poulenc since June, 1979, after joining it in 1976. When Rhône-Poulenc and other leading French industrial corporations were nationalized earlier this year, Mr. Gandois was one of only two chief executives asked to stay at the helm of his company. The decision to keep Mr. Gandois at his post was unpopular with labor unions, which had objected to earlier layoffs at Rhône-Poulenc.

Industry Minister Jean-Pierre Chevènement said he would nominate a new chief executive at Wednesday's cabinet meeting.

Control Data to Close S. Korean Plant

SEOUL — Control Data Corp. will soon close a plant near here that produces computer peripheral gear, company officials said Monday.

They cited labor disputes at the plant and restructuring to cope with a sales slump. In early June, 80 disgruntled women workers held two Control Data executives hostage and demanded the reinstatement of six workers dismissed in March. The executives were released unharmed nine hours later.

The South Korean unit, which began operations in 1967 and employs about 330 people, had pretax profit of about 1 billion won (\$1.3 million) last year, the officials said. At Control Data's headquarters in Minneapolis, officials said the plant closing is part of a comprehensive plan that will commit the company to additional investments in South Korea.

Venezuela Reported to Seek Credit

PARIS — Venezuela is seeking a syndicated credit of \$300 million to \$500 million, banking sources said Tuesday.

They said that Société Générale and a group of banks from outside France had sent proposals for such a loan to Caracas but that terms have not been set.

A recent seven-year loan of \$200 million for Venezuela carried interest floating at 7/8 above the London interbank offered rate. But the terms for that loan were especially favorable to the country because the funds were to be used for paying off short-term debt to the banks. Venezuela could not expect such a slim margin over Libor for any new loan, the sources said.

Gulf Extends Offer for Cities Shares

PITTSBURGH — Gulf Oil Corp. said Tuesday it was extending until July 30 the deadline for its offer to buy Cities Service Co. shares. The offer was to have expired Tuesday.

Gulf is offering to buy up to 41.5 million Cities Service shares for \$63 apiece as part of its plan to acquire the smaller oil company for about \$5 billion. Previously, Gulf said about 85 percent of the Cities Service shares outstanding were tendered by July 1.

Compiled from Agency Dispatches

Dollar Posts Sharp Drop In New York

NEW YORK — The dollar fell sharply here Tuesday.

Dealers were uncertain about the reasons for the decline. Some believed there was a large order to sell dollars in the interbank market, but others did not detect such an order.

One factor pushing down the dollar were continued signs of lower U.S. interest rates. The rate on federal funds, overnight reserves banks lend one another, dropped to 1 1/4 percent from Monday's average of 12.09 percent. Eurodollar rates, however, were above their lows by midsession; the six-month rate was at 14 1/16.

There was little reaction to the announcement by Paul Volcker, chairman of the Federal Reserve, that the Fed plans to retain its present targets for money supply growth. Dealers said Mr. Volcker's remarks appeared to contain no departures from previously stated Fed policy.

If anything, Mr. Volcker's remarks added to sentiment that the decline in U.S. interest rates, encouraged by an more relaxed Fed policy in the past two weeks, will not go much further in the immediate future, some dealers said.

At midsession in New York, the dollar was quoted at around 2.4505 Deutsche marks, after opening at 2.4630 and closing Monday at 2.4730. The British pound rose to \$1.7397 from the opening \$1.7380 and Monday's close at \$1.7367, while the Swiss franc gained to 2.0830 per dollar from 2.0995 and 2.1025.

EEC Plans Bilateral Steel Talks With U.S. as Unified Effort Fails

BRUSSELS — The EEC Tuesday gave up the idea of reaching a unified steel agreement with the United States and decided instead on bilateral talks concerning U.S. curbs on Western European steel exports.

EEC foreign ministers meeting here said in a statement that individual governments affected by U.S. duties on steel would try to secure separate agreements on the level of exports.

Officials from Italy, France, Britain, Belgium and Luxembourg were planning to fly to Washington Wednesday in a final attempt to solve the dispute bilaterally.

The EEC also will challenge the United States in the General Agreement on Tariffs and Trade over its so-called DISC system of trade concessions, Kjeld Olesen, president of the foreign ministers council, said.

The official complaint will be lodged at the GATT Council in Geneva Wednesday, he said.

The community will seek from GATT the authorization to take countermeasures because it considers the DISC system a form of a trade subsidy.

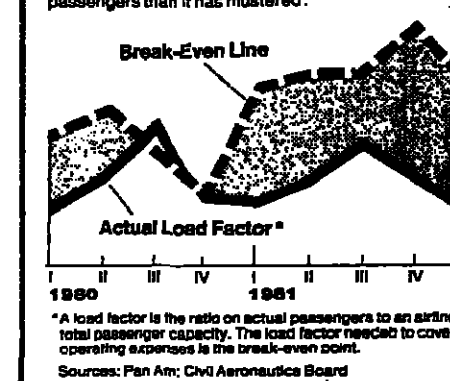
An EEC commission report to the council of foreign ministers said U.S. companies had benefited to the tune of \$2.3 billion from tax breaks available under the DISC system.

The challenge to DISC would, in the words of one senior Western European diplomat, "show the U.S. that it has a lot to answer for under the GATT when it comes to subsidies."

The ministers also called on President Reagan to invoke a sec-

Big Problems for Mr. Acker

Pan Am's high-cost operations require more passengers than it has mastered.



A load factor is the ratio of actual passengers to an airline's total passenger capacity. The load factor needed to cover all operating expenses is the break-even point.

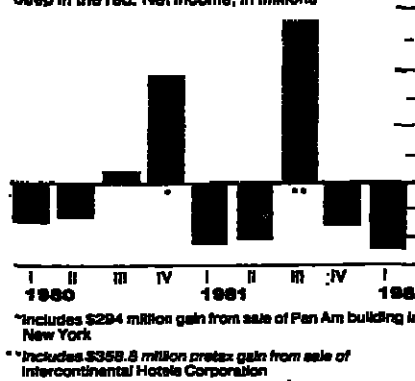
Sources: Pan Am; Civil Aeronautics Board



C. Edward Acker

Large Losses for His Airline

The company's failure to cover flight costs has put it deep in the red. Net income, in millions.



*Includes \$254 million gain from sale of Pan Am building in New York

*Includes \$358.8 million pretax gain from sale of Intercontinental Hotels Corporation

Pan Am Betting It All on This Summer

By Marilyn Bender

New York Times Service

NEW YORK — As if it didn't have enough worries of its own, Pan American World Airways is now fighting to dispel the ghost of Braniff International.

Shades of Braniff, which recently asked for protection from its creditors under Chapter 11 of the U.S. bankruptcy law, seem to be almost everywhere. The three men charged with the task of rescuing beleaguered Pan Am — C. Edward Acker, John J. Casey and Russell Thayer — are all former presidents of Braniff. And Pan Am's advertising agency is Well Rich Greene, which was responsible for Braniff's jollybean-colored planes in the 1960s, and whose chairman, Mary Wells, is married to Harding Lawrence, who for 15 years was Braniff's chief executive.

Such coincidences have not escaped the notice of Pan Am's employees, particularly those at corporate headquarters. "Welcome to Bran Am," quipped a secretary on the 46th floor of the airline's Park Avenue offices.

Though many bankers and industry officials call the Braniff analogy unduly pessimistic, Pan Am, the symbol of U.S. air transport around the globe for 40 years, is, by all accounts, in deep trouble. The airline — one of the highest-cost operators in the industry — has mustered a profit in only three of the last 12 years, and is facing intense competition from domestic and foreign competitors on its North Atlantic and Pacific routes.

Huge Losses

In 1981, Pan Am's airline operations lost an astounding \$352.6 million on revenue of \$3.8 billion. Red ink continued to spill in the first three months of this year, when Pan Am reported its steepest quarterly operating loss ever — \$127.3 million. And industry sources say the second-quarter loss, due out this week, could total another \$70 million.

"Still disastrous," acknowledged Mr. Acker, the company's chairman and chief executive officer. After 10 months on the job, he continues to hold to his earlier prediction that the

company will turn a profit not only in the third quarter, but also in 1983.

Many analysts have serious doubts about whether the airline will make it. A crucial test, they say, will come in the third quarter, when Mr. Acker and Pan Am are counting on a booming summer vacation season to produce a profit.

"A third-quarter profit will gain breathing space for Pan Am," said Michael H. Carstens, transportation analyst for Warburg Pincus Becker-A.G. Becker. "Beyond that, it's a question of how much revenue they can generate. You don't have very warm feelings when you contemplate the next three quarters."

But it will take more than good thoughts and a few profitable quarters for Pan Am to regain the \$300 million in bank credit it lost last year and to win over skeptics, who in the past two years have watched the airline sell off its two jewels — the hotel division and the Pan Am building — just to stay alive.

"There will have to be an extended period (Continued on Page 11, Col. 3)

Late Rally Pushes Wall Street Prices Higher

Compiled by Our Staff From Dispatches

NEW YORK — A late rally caused prices on the New York Stock Exchange to close higher Tuesday despite meandering in a narrow range all day, as the market reflected increasing confidence on the part of investors that interest rates are finally moving lower.

The Dow Jones industrial average climbed about three points in the first hour of trading, was down almost three by early afternoon and then turned around in the last hour to finish with a gain of 7.33 to 833.43.

Advances led declines by an 8-to-5 margin, and volume rose 61 million shares from the 53 million traded Monday.

The morning rally was sparked by a cut in the discount rate, the interest charged on funds borrowed by banks from the Federal Reserve, to 11 1/2 percent from 12 percent. But analysts said investors were somewhat disappointed that the rate was not cut by an entire point.

Harvey Deutsch of Purcell Graham said selling started to dry up in the afternoon when the market managed to hold above the 820 support level on the Dow average.

"When nothing came in on the downside, investors started to look ahead with more optimism, particularly with respect to interest rates," Mr. Deutsch said.

Michael Metz of Oppenheimer & Co. also attributed the late strength to optimism about interest rates. He noted that the federal funds rate, on overnight loans between banks, fell as low as 10 1/4 percent Tuesday from Monday night's close of 12 percent.

In addition, most major banks dropped their prime rate to 16 percent from 16 1/2 percent and the

broker loan rate was cut to 13 1/4 percent from 14 1/4 percent by several banks.

The market's late turnaround centered on the blue chip issues, indicating stepped up trading by institutions.

Volume leader IBM rose 1 1/4 to 67 1/4, a new 52-week high. IBM has added a total of three points since reporting an increase in second quarter earnings last Wednesday.

Other blue-chip issues with gains included active sears, up 3/4 to 19 1/4, AT&T 5/8 to 54 1/4, International Paper 1 1/2 to 37 3/4, Procter & Gamble 1 3/4 to 87 1/4, United Technologies 3/4 to 41 1/4 and Merck 3/4 to 71. Merck reported higher second quarter earnings Tuesday.

Volcker Says Fed Will Retain Tight Restraints on M-1

WASHINGTON — Federal Reserve Board Chairman Paul Volcker told Congress Tuesday that the Fed will keep its relatively tight grip on money supply but will not tighten it further as his earlier long-term plan indicated.

Mr. Volcker, speaking before the Senate Banking Committee, also said that an economic recovery is "highly likely in the second half of 1982," although that recovery will be far from robust.

Mr. Volcker's comments made it clear that the Fed has no intention of trying to encourage lower interest rates and economic recovery by allowing money supply to surge. But the growth targets he announced are at least some concession to those who say the central bank's tight-money policy has prolonged the recession.

Mr. Volcker's long-term plan as announced last year was to lower the money supply targets by one-half percentage point each year. Instead, he said Monday, the target for growth of M-1, the basic money supply of cash and checking accounts deposits, in 1983 will remain at this year's level: 2 1/4 percent to 5 1/2 percent.

The Fed chief contended that the unchanged target actually would lead to lower monetary growth in 1983, because growth of the various money supply measures this year probably "will be close to the upper end of their ranges or perhaps even somewhat above them."

Mr. Volcker indicated that the central bank regards itself as having more leeway than the unchanged target ranges imply. He emphasized that "growth somewhat above the targeted ranges would be tolerated for a time" if, during a period of economic uncertainty, people chose to hold more cash than usual.

Mr. Volcker's comments came one day after the Fed lowered its discount rate to 11 1/2 percent from 12 percent, a cautious move that some analysts said would allow other interest rates to drop slightly in the next several weeks. The discount rate is the fee the Fed charges on loans to other banks.

Several analysts said that the small cut reflects a desire by the Fed to let interest rates fall but

avoid charges that it is buckling in its fight against inflation. The Fed more often raises or lowers the discount rate a full percentage point.

"I wouldn't interpret this as an aggressively easier monetary policy," said H. Erich Heinemann of Morgan Stanley & Co. in New York. "I don't think this is the opening of the money floodgates," he added. "I'm inclined to take their word on this one."

Some analysts said the Fed may well cut the discount rate another half a point in a few weeks. Edward Yardeni, chief economist at E.F. Hutton & Co., called such a move "conceivable," adding, "If the Fed is going to err, it will be on the side of caution."

Nonetheless, the Fed has been under considerable political pressure to encourage lower rates. "It's clear the economy, in the eyes of the Fed, is in difficult straits," said Allen Sinai, an economist at the consulting firm of Data Resources Inc. "They don't want to make it too difficult to have a recovery, and at this point there are no signs of a recovery at all."

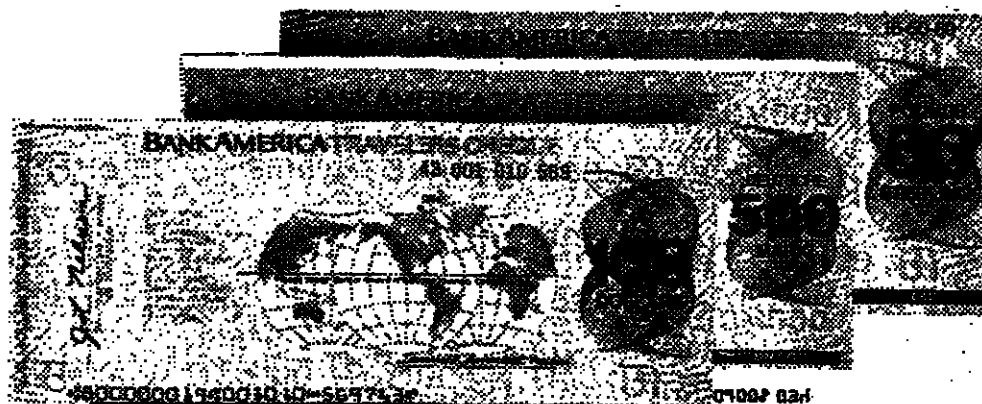
The senior economist at Crocker National Bank of San Francisco, Ted Gibson, said the Fed was clearly trying to avoid a plunge in interest rates, such as occurred in 1980 when the prime rate fell from about 20 percent in April to about 11 percent in August.

Reflecting the recent decline in short-term interest rates, two major U.S. banks cut their prime rates half a point to 16 percent Monday. On Tuesday, the lower rate became general as Chase Manhattan, Continental Illinois and Bankers Trust, among others, moved to 16 percent.

As part of Mr. Volcker's testimony, the Fed's Open Market Committee released a forecast that real, or inflation-adjusted, gross national product will grow 0.5 to 1.5 percent in 1982 and 2.5 to 4 percent in 1983. These projections are considerably lower than the White House's forecasts.

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Tuesday's NYSE Closing Prices

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Chase Posts Loss; Citicorp Net Rises

Compiled by Our Staff From Dispatches
NEW YORK — Chase Manhattan Corp. reported Tuesday a second quarter loss of \$30 million, stemming from its write-off of \$117 million to cover obligations of Drysdale Government Securities Inc., which collapsed in May.

Meanwhile, Citicorp, the second-largest U.S. bank holding company, said its second quarter profit rose 33 percent from a year earlier. It attributed the gain, in part, to a decline in interest rates from a year ago. For example, most major banks were posting a prime lending rate of 20 1/2 percent a year ago, compared with 16 or 16 1/2 percent at present.

In the year-earlier quarter, Chase had net income of \$97.2 million, or \$2.72 a share. For the first half of this year, its profit was \$84.7 million, or \$1.97 a share, compared with \$168.8 million, or \$4.67 a share, a year before.

Loss Forecast
Chase, parent of the third-largest U.S. commercial bank, had predicted the second quarter loss following the collapse of Drysdale Government Securities on May 18. Drysdale defaulted on at least \$160 million in interest payments on securities it borrowed from other securities firms through Chase.

While Chase continues to maintain that it merely acted as a broker in funneling securities to Drysdale from other securities firms, the other firms said Chase was liable for covering Drysdale's debts, and Chase later agreed to do so.

Chase also said that it wrote off in the second quarter \$45 million of loans acquired through Penn Square Bank of Oklahoma City. Chase said its evaluation of loans acquired through Penn Square is continuing, but it did not specify the total amount of loans it acquired through the Oklahoma City bank, which failed earlier this month.

Chase's net write-offs in the quarter totaled \$64.7 million, up from \$17.5 million in the year-earlier second quarter. The bank said the latest quarter's write-off would have been larger but for an insurance recovery of \$15 million.

In the first half of 1982, Chase wrote off \$108.9 million, compared with \$96.1 million in the first half of 1981.

Loss Provision
Chase's provision for possible losses in the second quarter rose to \$53 million from \$51 million in the second quarter of 1981, bringing the balance for possible losses to \$535.1 million as of June 30, down from \$541.1 million at the end of 1981.

The bank's non-performing loans rose to \$1.05 billion in the second quarter from \$683 million a year earlier and \$907 million at the end of 1981.

Citicorp, whose Citibank is ranked second in the United States and ninth in the world, said second quarter earnings were \$137 million, or \$1.06 a share, up from \$103 million, or 81 cents a share, a year before.

For the first half, net income was \$331 million, up 70 percent. The bank's loan losses in the first half totaled \$170 million, up from \$136 million a year earlier, reflecting a \$46-million increase in the commercial loan loss provision.

SEC Charges 3 in Fraud Against Paine Webber
By Linda Grant
Los Angeles Times Service
NEW YORK — The Securities and Exchange Commission has filed a complaint against two former executives of Paine, Webber, Jackson & Curtis and a Wall Street investment company owner, alleging that they defrauded Paine Webber by illegally trading government securities at prices more favorable than prevailing market rates.

The case, which comes at a time when the SEC has increased significantly its filing of insider-trading actions, is unusual because it involves not the illegal use of inside corporate information but the rigging of prices by market insiders.

The SEC alleged that two former Paine Webber executives, William Charles Hogan and James N. Cooney, arranged purchases and sales of long-term government bonds to Robert B. Stevenson at artificial prices to insure Mr. Stevenson a profit from the transactions. All three men live in New York.

France Revises 1st Quarter GDP To 0.2% Decline
Reuters
PARIS — France's gross domestic product for the first quarter of this year was revised Tuesday to indicate a decline of 0.2 percent rather than a decline of 0.1 percent, the National Statistics Institute said.

In the fourth quarter of 1981, GDP rose 0.7 percent, the institute said. The institute also revised the figure for all of 1981 to show an increase of 0.2 percent rather than an increase of 0.3 percent.

Last week the institute forecast GDP growth of between 1 percent and 1.5 percent for 1982, revised from an earlier forecast of 2 percent growth because of last month's devaluation of the franc within the European Monetary System and the accompanying wage and price freeze.

Mitsui Receives Order For Brazilian Train
Reuters
TOKYO — Mitsui said Tuesday it has received a 16 billion yen (\$63 billion) order for 100 electric railway passenger cars from Empresa de Trens Urbanos, a Brazilian state transit railway company in Rio de Janeiro.

The units to be built by Nippon Sharyo Seizo Kaisha and Hitachi are to be shipped to Brazil starting early 1984, will run on a commuter train project.

Prudential Lures Hutton's Ball

By Sandra Salmons
New York Times Service

NEW YORK — George L. Ball, considered one of the most effective and innovative managers on Wall Street, has resigned as president of E.F. Hutton Group Inc. to head a new Prudential Insurance Co. subsidiary that includes Bache Group Inc.

Mr. Ball, 43, will be chief executive officer of Prudential Capital & Investment Services Inc., a new holding company responsible for Bache Group, the brokerage operation, and Prudential, involved in investment banking and corporate loans. He will also be chief executive of Bache Group and Bache Halsey Stuart Shields Inc.

Harry A. Jacobs will remain chairman of Bache, and H. Virgil Sherrill will be vice chairman of both the new subsidiary and of Bache. Rodney W. Reynolds, chairman of Prudential, will report to Mr. Ball.

The appointment of Mr. Ball, which took Wall Street by surprise when it was announced late Monday, suggests that Prudential is dissatisfied with the progress of the brokerage firm one year after acquiring it for \$385 million.

Analysts hailed the appointment of Mr. Ball as offering a badly needed solution to the troubles at Bache. "It's a recognition that something had to be done," said Michael Lipper, president of Lipper Analytical Services. "The Bache numbers have never been up to the standards of Hutton, which is among the best."

According to Lipper Analytical, Hutton led the pack in brokerage productivity last year, with

\$78,954 in operating revenue per employee. Bache, with \$56,503 per employee, was the lowest of the five large securities firms with a general retail business. Mr. Ball will need to look at sales and overhead control, Mr. Lipper said.

Bache's low productivity is reflected in its results. Last year, Bache earned \$5.4 million on revenue of \$736.9 million. Without the interest earned from margin-account customers and its own portfolio holdings, Bache would have lost \$52.5 million in 1981. Hutton reported net income of \$78.8 million on revenue of \$1.4 billion.

At Hutton, Robert Fomon, 56, currently chairman and chief executive, will temporarily take over as president, the firm announced.

Mr. Ball, who has worked at Hutton for 20 years, has emerged in interviews recently as Mr. Fomon's alter ego. However, Wall Street observers speculated that Mr. Ball may have chosen to leave because there was no likelihood he would head Hutton for the next several years.

In a telephone interview, Mr. Ball spoke enthusiastically about the "combination of opportunities at Bache, plus the skills of Prudential and the view that can be added by Prudential."

Mr. Ball refused to speculate on the reasons for Bache's poor track record. "I'm going to be brand new to Bache," he said. "To pretend I have answers now would be presumptuous."

Prudential, which was formed last January from Prudential's regional corporate finance department, specializes in fixed and floating-rate loans to utilities and medium-sized companies and provides investment banking services to regional companies.

Pan Am Betting Its Future on This Summer

(Continued from Page 9)

where Pan Am has a positive cash flow and profit as well, probably to two or three years," said G. Robert Truex Jr., chairman of Rainier Bancorp. of Seattle, one of Pan Am's former lenders, and a member of Pan Am's board of directors.

"An awful lot of fundamental faith in the aviation industry was lost at all levels of the market place through the Braniff failure, the fear that there will be others, and the whole deregulation business. Pan Am will have to prove to lenders that it's back in the ball game over an extended period."

Credit Possibilities
At least one lender, Citibank, apparently sees hope for Pan Am.

Mr. Acker, although he said Pan Am does not need bank credit at this time, has sought and just received a commitment for a \$40 million line of credit from the bank. The amount may seem modest, several bankers said, but they agree it can have a positive impact on Pan Am's image. "Ed wants to show the world they can borrow," one banker said. "A host of people think Pan Am can't get any credit."

Mr. Acker also wants to prove that he knows how to turn the ailing carrier around, something he is trying to do by increasing capacity rather than retrenching, while at the same time cutting costs and simplifying Pan Am's fare structure. He has ambitiously expanded domestic services and has brought Pan Am back into such international markets as Bermuda and Johannesburg, which the airline pioneered but then abandoned in the recent years of turmoil. To save money, he has slashed the roster of vice presidents and their

support staffs by 25 percent and obtained \$180 million in wage concessions from Pan Am's five unions.

Perhaps more startling, he wants to expand domestic business to 40 percent of Pan Am's total operations, up from 28 percent, mainly to make use of the aging aircraft obtained by Pan Am's in its merger with National Airlines. This is a sharp reversal from the plan adopted by William H. Waltrip, who resigned as president last month, to dismantle parts of National's costly domestic system.

"I'm not married to anything," Mr. Acker said. "There's nothing I have to be embarrassed about because I changed my mind." It was just such an aggressive style that Mr. Acker brought to Air Florida, the struggling Miami-based carrier that he took charge of in 1977 after a 10-year stint at Braniff. By taking advantage of the Airline Deregulation Act of 1978, which allowed newcomers into markets once restricted to a few airlines, and engaging in fare wars to skin the cream from top markets, he transformed Air Florida into a feisty regional airline with a few international routes.

Next Step, the World
Mr. Acker, having demonstrated his nimbleness in the deregulated environment, must now display the ingenuity needed to succeed in the international arena, where different rules apply.

International fares have stabilized since the demise of Laker Airways and the International Air Transport Association's decision to raise rates on North Atlantic routes, and Pan Am's Latin American operations have consistently been a money maker, except for June during the Falklands war.

World Bank Leads Issuers As Euromarket Comes Alive

Compiled by Our Staff From Dispatches

LONDON — The World Bank Tuesday led a parade of issuers to the Eurobond market, bringing the total of new paper issued since Monday morning to \$775 million.

Dealers said that after being depressed for several weeks, the Eurobond market has gained strength from last Friday's announcement of a smaller than expected increase in the U.S. money supply and Monday's half-point cut by the Federal Reserve in its discount rate.

Bond managers said that while the volume so far this week has been relatively large, the market has had no trouble absorbing it all.

The discount rate cut was followed by a decline in Eurodollar rates — one-month rates fell Tuesday to 12.94 percent from 13.56 percent Monday.

The decline in rates is expected to prompt more borrowers to tap the Eurobond market soon, dealers said.

Leading Tuesday's new issue parade was the World Bank, which is raising \$400 million in a currency-swap transaction through a two-

tranche bond, lead manager Deutsche Bank said.

Both tranches will carry a 15 percent coupon and be priced at par, it added. One tranche will total \$250 million and have a five-year maturity, and the other of \$150 million will be over six years.

The World Bank had said it was considering plans to swap the dollar proceeds into Swiss francs. Under previous operations of this type, borrowers wanting dollar debt pay the coupon on the World Bank's obligation, while the World Bank does the same on its franc debt.

General Motors Acceptance Corp. is raising \$100 million with six-year notes, market sources said. The issue, lead managed by Societe Generale, carries a 14 1/2 percent coupon and will be priced at 99 1/4 to yield 14.56 percent.

Ontario Hydro is raising \$150 million through a 10-year issue, also led by Deutsche Bank. The bond has a 15 percent coupon and will be priced at par.

In the convertible dollar-bond sector, Southern California Edison is raising \$50 million with a 15-year convertible through its overseas finance subsidiary, lead manager Credit Suisse First Boston said.

The indicated coupon is 12 1/2 percent, and the conversion premium over the closing stock price July 29 is expected to be set at between 5 percent and 10 percent, it added.

In other currencies, European Investment Bank is raising 200 million Deutsche marks through a 10-year Eurobond, also under the lead management of Deutsche Bank.

The issue will carry a 9 1/2 percent coupon and will be priced at par.

In the Euroyen sector, the Asian Development Bank is planning to offer a 15 billion yen, 10-year Eurobond, lead manager Daiwa Securities said.

Daiwa said the bond, the third to be issued by the bank, is expected to carry an 8 1/2 percent coupon. Terms will be fixed by July 28.

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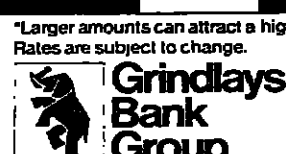
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Helen Hughes, Director of Economic Analysis and Projections, The World Bank.
Ian Seymour, Executive Editor, Middle East Economic Survey.
Moderator: Herman Franssen, Chief Economist, International Energy Agency.

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Hans Grunius, Senior Exploration Consultant, Petroconsultants.

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James Atkins, former U.S. Ambassador to Saudi Arabia.

THE IMPACT OF DOWNSTREAM ARAB INVESTMENT
Donald O'Hara, former Pres., Nat. Petroleum Refiners' Ass.
Abdulhady Taher, Governor, Petromin.

SPECIAL ADDRESS
Donald Regan, U.S. Secretary of the Treasury, via satellite.

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James McClure, Chairman, U.S. Senate Energy Committee.

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THE INVESTMENT OUTLOOK FOR NORTH SEA ENERGY
Hamish Grey MP, U.K. Minister of State for Energy
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Ian Lachie, President and Chief Executive, Int. Energy Bank.
INVESTMENT DECISIONS IN AN ERA OF DECLINING OIL PRICES
Harold Hammer, Executive Vice President, Gulf Oil Corp.
THE EVOLUTION AND IMPACT OF INTERNATIONAL OIL TAXATION
Robert Weaver, Vice President, Global Petroleum Division, Chase Manhattan Bank.

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John Lichtblau, Exec. Dir., Petroleum Industry Research Foundation.
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SPORTS

Soccer Instead of War? You Cannot Be Serious!

LONDON — Shortly after Joël Havelange became president of FIFA, his global designs for the game were symbolized by placing a copyright on the world.

In an apparently subtle change, FIFA's badge was altered so its two interlocking soccer balls now incorporate a map of our planet. Havelange very nearly has the whole world in his hands: the Federation Internationale de Football Association rules in some 150 countries, a domain wider than the Olympics, wider than the United Nations.

Yet, even the expansive Havelange must be cautioned to hear voices from the United States. Havelange's soccer is a substitute for war. America, an infant in the soccer family, America, which plays on a plastic surface, still alien to FIFA, America, which this year could feel after a decade and a half of flouting the game's basic laws on the field.

An American was allowed to give its message at the World Cup final in Madrid last week.

One, Eugene E. Forte, signing himself chairman of the board, Excelsior Corp., Beverly Hills, distributed to the world's media his proposal for solution to the "FIFA/FIFA/Excelsior conflict."

"Forte's solution" was for Argentina and Britain to "send their best young men forth — but not to die." What then? To play soccer, winner take all, for the territory over which the two nations have squabbled for longer than any of us have lived.

"What, after all, is a war but a contest of superiority between two groups of specially trained men?" argues Forte. "An athlete is as special a breed of man as a soldier and one as well equipped to uphold national honor."

The word-hoarder's observer of trends in international sports. There is a

temptation to respond in the fashion of one of Forte's countrymen, John McEnroe: "Sir, you cannot be serious!"

But serious, Forte certainly is. "We realize this method of settling disputes is not universally applicable. Yet in this case we believe it has a chance of acceptance and suc-

ROB HUGHES

cess. And if it does succeed, what will this mean to our progeny? How many lives might this simple precedent save in the next 20, 50 or 100 years?"

I do not know how deep Forte's knowledge of soccer is, whether or not he appreciates that the course of history might by his formula become so utterly unstable. If, for example, Argentina played England (not football, the British have yet to agree to the formula to play sport as one nation) in 1978, the Argies would win the Malvinas in the center, if they played on the evidence of the 1982 World Cup, either England or Scotland might easily have captured the Falklands.

If one player, say Diego Maradona, had an inspired 20 minutes, the islands might fall to his genius. If, however, Maradona suffered the kind of unarmed combat by which Italy brutally debilitated him earlier this month, then his country would lose the war.

In broader context, Forte's logic is for the super powers to dismantle warheads and settle differences on the fields of sport. In soccer? No sir, not for the generation it will take Americans to learn the game.

Athletics? That already happens. Well, sometimes. The United States boycotted the 1980 Moscow Olympics in protest against Russia's military intervention in Afghanistan, and we wait to see if the Russians will come out to play in Los Angeles in 1984.

Maybe, if they have the stronger team, they will.

But we digress. Soccer is the subject, and Forte's is no lonely voice in the wilderness. The Washington Post, no less, is right behind him.

In a recent editorial, the Post's emotions were uplifted by the passionate Italian celebration, the "mad, explosive revelry... Nationalism gone berserk, only — blessedly — nationalism without F-16s."

I sympathize, readily and wholeheartedly, with the sentiment. But the logic I find a little obscure. What war — apart from its internal struggle against terrorists — is on Italy's horizon? How long and how deep will the mood of celebration last? What does it mean to the millions, perhaps the majority, who do not even share the Italian macho expression of soccer as having significant purpose?

The questions, alas, could fill this page. They could start a thousand quarrels, maybe even provoke a war. Seriously, if we can talk of soccer as a war substitute, then we must accept that it can go the other way. The game's history claims no successes in preventing armed struggle, though it did once start hostilities between Honduras and El Salvador. The Latin American neighbors may have been on the brink, but a contentious soccer match provided the spark.

However, lest this sounds like a purist argument of sport for the sportsman, let me assure you I accept that soccer is a political weapon, a commercial catalyst, a short-term infusion to any nation's well being. That is why both the president of Italy and the chancellor of West Germany sat in the stands in Madrid this month.

It is why soccer can truly be seen as the

people's opium in the shanties of Brazil. Why black Africans can successfully demonstrate equality with whites — and why white South Africa is at this very moment paying more than \$1.5 million in a blatant and thankfully pathetic attempt to buy its way out of FIFA's expulsion of a country that practices racial discrimination in sport.

And we saw first hand at the World Cup how a tiny nation can at least reach up to bloody the nose of its oppressor through sport. Poland put Russia out of this World Cup, and the Poles, moreover, used the platform of three quarters of a billion television viewers to advertise the claims of Solidarity. In Warsaw and Gdansk tens of thousands will have been slightly uplifted by this; their spirits will have been temporarily eased.

But that is all. The sporting success cannot erase their anguish or improve the quality of their lives. It will not begin to put food into mouths which pine for it. All it does is give a little temporary diversion to the despair and the pent up aggression.

But soccer is not useless in helping the world's problems. Many of the players who fought for themselves, their families and their nations in the World Cup will converge on Giants Stadium in New York on Aug. 4 to play a game to raise funds for Unicef.

There is a cause Americans can get behind. And there, in terms of the understanding of nations, is a small pocket of hope that soccer can serve its original purpose. Not to substitute a war, but to get together the representatives of different nations so that they might understand each other better.

The World Cup we have just seen singularly fails in this objective. It divides the teams in camps surrounded by the machinery of war; it ensures that men distrust, even hate, opponents they never get to share a drink with. Unicef will not be the only cause to benefit on Aug. 4.



Rich Gedman of the Red Sox (right) upended Mike Richardson, the Ranger second-baseman, to break up a double-play attempt Monday night during the Red Sox' 9-5 victory over the Rangers.

Pirates Top Reds on Berra's 3 RBIs

United Press International

CINCINNATI — Dale Berra

drove in three runs, including the game-winning run with a sacrifice fly in the sixth inning, to lead the Pittsburgh Pirates to a 5-4 victory Monday night over the Cincinnati Reds.

Berra's sacrifice fly capped a two-run sixth that gave Pittsburgh a 4-3 lead. Berra also added a run-scoring single in the second inning and a bases-empty home run, his sixth, in the eighth.

Manny Sarmiento, who replaced starter Ross Baumgarten with one out in the third, hurled three-hit relief for 4 1/2 innings to receive credit for the victory, with Kent Tekulve earning his 13th save by retiring the Reds in order in the ninth.

A tragedy occurred during the game when a 21-year-old woman plunged 40 feet from an upper level seat. She died of massive internal and head injuries upon arrival at hospital.

Authorities determined that she had come to the game with another young woman and that she apparently had been drinking an alcoholic beverage from a thermos before the fall.

Cubs 6, Astros 5

In Chicago, Jerry Morales' pinch-hit single with two outs in the bottom of the 10th capped a two-run rally and gave the Cubs a 6-5 victory over Houston.

Dodgers 2, Expos 1

In Los Angeles, Vicente Romo scattered three hits and did not allow a run over seven innings to pick up his first victory in eight years and lift Los Angeles to a 2-1 triumph over Montreal.

Braves 4, Cardinals 1

In St. Louis, Bob Horner's two-run single capped a three-run eighth inning that lifted Atlanta to a 4-1 victory over St. Louis and snapped the Cardinals' three-game winning streak.

Phillies 7, Padres 6

In San Diego, Gary Matthews delivered a two-run single in a four-run third inning, and Ron Reed halted an eighth-inning rally to lift Philadelphia to a 7-6 victory over San Diego.

White Sox 6, Tigers 0

In the American League, at Detroit, Dennis Lamp beat Detroit for the third time in as many decisions this season and blanked them for the second time in helping Chicago snap a five-game losing streak with a 6-0 triumph.

Blue Jays 4, Royals 2

In Toronto, Barry Bonnell and Leon Roberts hit bases-empty homers to power Toronto to a 4-2 triumph over Kansas City.

Red Sox 9, Rangers 5

In Boston, Carl Yastrzemski hit a three-run homer to cap a five-run eighth inning as Boston beat Texas, 9-5, handing the Rangers their seventh consecutive defeat. Yastrzemski, who went 3-for-3 to raise

his batting average to .304, greeted reliever Jon Maltuch with his 12th homer and first since July 5

Yankees 5, Mariners 3

In New York, Oscar Gamble, Dave Winfield and Roy Smalley hit third inning home runs, and Tommy John gained his first victory in nearly a month in leading New York to a 5-3 victory over Seattle.

Twins 6, Brewers 4

In Minneapolis, Tom Brunansky hit an inside-the-park grand slam home run, and John Castino and Len Faedo each hit bases-empty homers to help Minnesota snap

its losing streak to six games.

Angels 6, Orioles 5

In Baltimore, Bob Boone and Reggie Jackson hit home runs to power the Angels to a 6-5 victory over Baltimore.

Milwaukee's eight-game winning streak with a 6-4 victory.

Indians 5, A's 4

In Cleveland, a throwing error by third baseman Wayne Gross on an infield hit by Toby Harrah enabled Jack Perconte to score the winning run as the Indians rallied for two runs in the ninth to beat Oakland, 5-4, and extend the A's losing streak to six games.

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SPORTS BRIEFS

Soviet Fencer Pierced Through Eye

ROME — Vladimir Smirnov, the 29-year-old fencing champion from the Soviet Union, was in a deep coma Tuesday after suffering an eye injury Monday night during the World Fencing Championships. Doctors did not hold much hope for his life.

A medical bulletin said that Smirnov, a gold medalist at the 1980 Olympics, had no brain reflexes and was not responding to treatment. It said he was getting worse and that he was being kept alive in an artificial respirator.

The accident occurred during a match with Matthias Behr of West Germany. Behr's foil broke, went through Smirnov's face mask and entered his brain through his left eye socket. When Smirnov entered hospital he was hemorrhaging inside his brain.

Bren Takes Mountain Leg of Tour

L'ALPE D'HUEZ, France — Beat Bren of Switzerland demonstrated top climbing form Tuesday as he won the 121-kilometer (75-mile) mountainous 16th stage of the Tour de France bicycle race, while Bernard Hinault of France retained the overall lead.

The start of the race was delayed 55 minutes when farmers, angry over their negotiations with the government for better agricultural prices, blocked the highway in the village of Orcieres Merlette with tractors and trailers.

Bren attacked on the steep, steep turn of the circuit, where he was soon joined by Robert Alban of France, Paul Wellens of Belgium and Joop Zoetemelk of the Netherlands. But he easily outdistanced them on the Alpine terrain for a time of three hours, 24 minutes and 22 seconds.

Zapata Regains Junior Flyweight Title

KANAZAWA, Japan — Hilario Zapata of Panama regained the World Boxing Council junior flyweight title Tuesday with a split decision over Tadamasa Tomoki, the Japanese champion, in a 15-round fight.

Zapata, 23, the WBC's No. 1 contender, regained the title that he lost to Amada Urusua of Mexico in Panama City last February in a second-round knockout. Zapata, first won the title from Shigeo Nakajima of Japan in 1980.

McPhail Suspends Weaver for Week

NEW YORK — Earl Weaver, manager of the Baltimore Orioles, was suspended for a week Tuesday and fined \$2,000 for striking an umpire during an argument.

Weaver acknowledged that he made contact with the umpire, Terry Cooney, during an argument Saturday, but he said that it was not intentional. It was the stiffest penalty handed out by Lee MacPhail since he became president of the American League in 1974.

The Chicago White Sox, meanwhile, have suspended Ron LeFlore without pay for three games because he arrived late to the ballpark Sunday in Milwaukee. It was estimated that the suspension would cost LeFlore, who earns an annual salary of \$625,000, about \$10,000.

NBA Stars Capture Finale in China

PEKING — A National Basketball Association team of stars beat a Nanking Army team, 104-94, in Shanghai Tuesday night in its last of three games in China, the Chinese news agency reported.

The Americans controlled most of the rebounds and attacked with fast breaks as they took a 57-49 halftime lead against the Chinese, sharp shooters from middle distances.

In earlier games in Shenyang and Peking, the Americans beat China's national team, 93-66 and 100-76. Drawn from 20 different U.S. teams, they had not played together before coming to China.

2 Americans Set World Swim Records

MISSION VIEJO, Calif. — Rowdy Gaines broke his own world record in the 200-meter freestyle, and Steve Lundquist broke the world record in the 100-meter breast stroke Monday at the U.S. Swimming Championships.

Gaines, 23, was clocked in 1:48.93, taking two-tenths of a second off his previous record. He also holds the 100-meter freestyle record of 49.36 and has eight U.S. freestyle titles.

Lundquist, 21, had a time of 1:02.62, shaving .24 seconds off the previous mark of 1:02.86 held by Gerald Mooker of East Germany. Both Lundquist and Gaines were members of the 1980 U.S. Olympic team.

Vilas Beats Purcell for U.S. Pro Title

BROOKLINE, Mass. — Guillermo Vilas, with a barrage of top-spin lobs and passing shots, routed Mel Purcell, 6-4, 6-0, in less than 90 minutes Monday to win the U.S. pro tennis championship at Longwood Cricket Club.

It was the sixth victory in Grand Prix tournaments for Vilas, who won a \$32,000 first prize. Purcell won \$16,000.

South Africa Soccer Tour Shortened

JOHANNESBURG — A \$1.7 million soccer tour by a team of international players, hit by a boycott by black teams and the withdrawal of three South African stars, will be cut in half, it was announced Tuesday night.

George Thabe, president of the Football Council of South Africa and the National Professional Soccer League, said the six-match tour will end after Wednesday night's match, the third in a tour that has drawn disappointingly small crowds following opposition by militant anti-apartheid groups.

The tour, promoted by South African Breweries, had met opposition from FIFA, the world soccer body. FIFA threatened sanctions against players who took part in the tour.

European Rugby Team Loses Again

CAPE TOWN — Western Province drubbed the touring Five Nations rugby side, 42-6, Tuesday after leading at the half, 18-6. The visitors had introduced nine new players, after losing the opening match of their three-game tour, 33-22, against Transvaal in Johannesburg on Saturday.

Western Province was led by Paul Lombard, who scored three tries. Colin Beck, who missed a penalty in the first minute of play, went on to convert all seven of his side's tries, scoring one himself.

Colt Fetches Record \$4.25 Million

By Steven Crist
New York Times Service

LEXINGTON, Ky. — An unnamed, unraced 15-month-old thoroughbred colt was sold for \$4.25 million here Monday afternoon. It was the highest price ever paid for a race horse at auction and the first of several astounding records set on the first day of the Keeneland Select Yearling Sales.

At the evening session, three fillies were sold for more than the previous record of \$1.45 million for a yearling filly. Also, a colt from the first crop of yearlings sired by Alydar sold for \$2.2 million, the highest price ever fetched by a horse whose sire's offspring have never raced.

The record \$4.25 million yearling colt, a son of Nijinsky II out of Spearflash, was purchased by Robert Sangster, the British racing baron and soccer-pool operator. Sangster broke the record he established a year ago at these sales, when he paid \$3.5 million for a yearling colt by Northern Dancer out of South Ocean.

A full sister to that colt was the filly who set the record of \$1.8 million for a yearling filly. She was purchased by Will Farish III, a Houston oilman.

The other fillies who topped the previous records were both sired by Seattle Slew. One, out of the Dr. Fager mare Mercy, was sold

for \$1.6 million to a bloodstock agent representing the royal family of Kuwait. The other, out of the mare Strip Poker, was sold for \$1.5 million to Dolly Green of Los Angeles. The Seattle Slew-Strip Poker filly is a full sister to Landaluce, the 2-year-old filly sensation of this racing season.

The bidding for the record Nijinsky II yearling was a slightly inflated replay of what happened last summer when Sangster bought the Northern Dancer-South Ocean colt. Just as he did in that purchase, Sangster won a long bidding duel against Sheikh Mohammed bin Rashid el-Maktoum.

Sheikh Mohammed, the defense minister of Dubai and heir apparent to the throne of that principality in the United Arab Emirates, had bid \$4 million but did not answer Sangster's next bid of \$4.25 million. Sangster, the principal foreign investor in American-bred yearlings for the last decade, later told sales officials that he would have gone to any price to get the colt.

The beneficiaries of Sangster's single-mindedness were Mortin Levy and Myron Rosenthal, who own Spearflash and bred her to Nijinsky II. Levy and Rosenthal are the colt under the name of the Glenelg Farm in Lexington, where the horse was born April 8, 1981. Levy and Rosenthal are

commodities brokers in Chicago.

The opening bid on the colt was only \$50,000, but it quickly went up to \$500,000. Then Sangster and Sheikh Mohammed took charge, and their bids were in increments of \$500,000 until the price reached \$3 million.

Now the auctioneer's voice began to rattle. The audience of about 2,000 turned from one side of the pavilion to the other as if they were at a tennis match, waiting for the next bid. Tom Cooper, the bloodstock agent doing Sangster's bidding, and Dick Warden, Sheikh Mohammed's agent, began to volley again, exchanging price rises of \$250,000 until Cooper's \$4,250,000 went unanswered.

Sheikh Mohammed will hardly go home empty handed. He made several six-digit purchases, and bought the Alydar colt for \$2.2 million.

Sangster, who has invested heavily in Northern Dancer yearlings, jumped at the chance to buy the Nijinsky II-Spearflash colt because Nijinsky II is considered the most successful stallion sired by Northern Dancer. Nijinsky II raced in England and France, where he was the European Horse of the Year in 1970. He has sired more than 50 stakes winners, including De La Rose, the champion grass mare last year, and Golden Fleece, who won the Epsom Derby last month.

than in the tournaments which you lead for yourself, and I need that pressure.

In other action, Yu Li Qiao, China's top singles player, defeated Masako in Yanagi of Japan, 4-6, 7-5, 6-3, in leading her nation to a 3-0 victory. Hu Na turned back Kumiko Okamoto, 6-1, 6-2, while Na and Li Xinyia took a doubles match against Yanagi and Etsuko Inoue, 6-3, 6-2.

Yu Li Qiao, who comes from a country where only about 6,000 people play the sport, is not used to playing on a hard court, and it took the first set for her to get the feel of the surface. During the next

two sets she strengthened her forehand.

West Germany blanked Portugal, 3-0, with Bettina Bunge defeating Deborah Fuza, 6-0, 6-0, and Claudia Kohde matching the score against Leonor Peralta. Eva Pfaff teamed with Kohde to take the doubles from Fuza and Peralta, 6-0, 6-1.

